OFFICIAL STATEMENT DATED OCTOBER 27, 2022

IN THE OPINION OF BOND COUNSEL (HEREIN DEFINED), UNDER EXISTING LAW AND ASSUMING CONTINUING COMPLIANCE WITH COVENANTS IN THE BOND ORDER, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES, AND IS NOT INCLUDED IN COMPUTING THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2022. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations" herein.

NEW ISSUE—BOOK-ENTRY ONLY | **RATINGS: Underlying "Baa3" Moody's**
CUSIP No. 41426H | **Insured "AA" (stable outlook) S&P**
See "MUNICIPAL BOND RATING" and "BOND INSURANCE" herein

$2,060,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 537
(A political subdivision of the State of Texas, located in Harris County, Texas)
UNLIMITED TAX BONDS
SERIES 2022

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

Interest on the $2,060,000 Unlimited Tax Bonds, Series 2022 (the "Bonds") will accrue from November 1, 2022, and will be payable on April 1 and October 1 of each year, commencing April 1, 2023. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS – Paying Agent/Registrar." The Bonds will mature in the amounts, on the dates, and will bear interest at the rates and be reoffered as set forth below.

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

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

Principal Amount	Maturity	Interest Rate	Yield (a)	Principal Amount	Maturity	Interest Rate	Yield (a)
$45,000	2024	7.00%	4.00%	$50,000	2026	7.50%	4.15%
$45,000	2025	7.00%	4.10%	$50,000	2027	7.00%	4.20%

$110,000 5.00% Term Bond Due April 1, 2029 to Yield 4.20% (a) (b) (c)
$250,000 5.00% Term Bond Due April 1, 2033 to Yield 4.50% (a) (b) (c)
$220,000 5.00% Term Bond Due April 1, 2036 to Yield 4.80% (a) (b) (c)
$255,000 5.00% Term Bond Due April 1, 2039 to Yield 5.00% (a) (b) (c)
$300,000 5.00% Term Bond Due April 1, 2042 to Yield 5.10% (a) (b) (c)
$345,000 5.00% Term Bond Due April 1, 2045 to Yield 5.15% (a) (b) (c)
$390,000 5.00% Term Bond Due April 1, 2048 to Yield 5.20% (a) (b) (c)

(a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
(b) The Bonds maturing on or after April 1, 2028, are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on April 1, 2027, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds within any one maturity are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as registrar, by lot or other customary method, in integral multiples of $5,000 in any one maturity. See "THE BONDS – Optional Redemption."
(c) Subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Mandatory Redemption."

The proceeds of the Bonds will be used by Harris County Municipal Utility District No. 537 (the "District") to: (1) reimburse the Developer (hereinafter defined) for advancing funds to construct certain water, drainage, and detention facilities and related engineering and testing costs; (2) fund certain improvements to the District's water distribution system; (3) fund developer interest related to the advancement of funds for certain costs; (4) fund capitalized interest on the Bonds; and (5) pay certain administrative costs and costs related to the issuance of the Bonds. See "USE OF BOND PROCEEDS."

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, or the City of Houston is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain risk factors described under the caption "RISK FACTORS."**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Sanford Kuhl Hagan Kugle Parker Kahn, LLP, Houston, Texas, Bond Counsel. Certain other matters will be passed upon on behalf of the District by Norton Rose Fulbright US LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about November 29, 2022.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

Any information and expressions of opinion herein contained are subject to change and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

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 Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056, upon payment of duplication costs.

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

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

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 any purpose.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.006478% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 5.226404% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

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

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

Prices and Marketability

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

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Securities Laws

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds 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.

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

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

Annual Reports

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

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by 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, the District will 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 May 31. Accordingly, it must provide updated information by November 30 in each year unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District; (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, or the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. The term "financial obligation" in this paragraph in (15) and (16) means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b); provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order make any provisions for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax revenues) to secure payment of the Bonds, or appointment of a trustee. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

The District has agreed to provide the foregoing updated information only to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB. The MSRB makes the information available to the public without charge through the EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made in accordance with Rule 15c2-12.

MUNICIPAL BOND RATING

In connection with the sale of the Bonds the District made application to Moody's Investors Service, Inc. ("Moody's") which assigned a rating of "Baa3" on the Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's and the District makes no representation as to the appropriateness of such rating. The District can make no assurance that the Moody's rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by Moody's if in the judgment of Moody's circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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

BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

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

Capitalization of BAM

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

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

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

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

Additional Information Available from BAM

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

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

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

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

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information 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

Description: The $2,060,000 Unlimited Tax Bonds, Series 20222 (the "Bonds"), are dated November 1, 2022. The Bonds represent the seventh series of bonds to be issued by Harris County Municipal Utility District No. 537 (the "District"). The Bonds mature on April 1 in the years and amounts as shown in the table on the cover page of this Official Statement. The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended; an order authorizing the issuance of the Bonds (the "Bond Order") to be adopted by the Board of Directors of the District; an order of the Texas Commission on Environmental Quality (the "TCEQ"); Chapter 8488 of the Special District Local Laws Code; and a bond election held within the District on November 4, 2014. See "THE BONDS."

Redemption Provisions: The Bonds maturing on or after April 1, 2028, are subject to redemption at the option of the District, prior to maturity, in whole or from time to time in part, on April 1, 2027, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS – Optional Redemption." The Bonds maturing on April 1 in the years 2029, 2033, 2036, 2039, 2042, 2045, and 2048 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on April 1 in the years 2028, 2030, 2034, 2037, 2040, 2043, and 2046, respectively. See "THE BONDS – Mandatory Redemption."

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

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

Use of Proceeds: Proceeds from the sale of the Bonds will be used by the District to: (1) reimburse the Developer (as defined herein) for advancing funds to construct certain water, drainage, and detention facilities and related engineering and testing costs; (2) fund certain improvements to the District's water distribution system; (3) fund developer interest related to the advancement of funds for certain costs; (4) fund capitalized interest on the Bonds; and (5) pay certain administrative costs and costs related to the issuance of the Bonds. See "USE OF BOND PROCEEDS."

Payment Record: The District has previously issued four (4) series of unlimited tax bonds, one (1) series of unlimited tax road bonds, and one (1) series of unlimited tax refunding bonds, of which $13,615,000 principal amount was outstanding as of September 1, 2022 (the "Outstanding Bonds"). The District has never defaulted on the payment of principal of or interest on the Outstanding Bonds. See "DISTRICT DEBT."

Qualified Tax Exempt Obligations: The District designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and the District represents that the total amount of tax-exempt bonds (including the Bonds) issued by the District during calendar year 2022 is not reasonably expected to exceed $10,000,000. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

Municipal Bond Rating: In connection with the sale of the Bonds the District made application to Moody's which assigned a rating of "Baa3" on the Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's and the District makes no representation as to the appropriateness of such rating. See "MUNICIPAL BOND RATING."

Bond Insurance: S&P is expected to assign its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. See "MUNICIPAL

BOND RATING," "BOND INSURANCE," and "APPENDIX B – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

General and Bond Counsel: Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."

Paying Agent/Registrar: The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS – Paying Agent/Registrar."

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

THE DISTRICT

Description: The District is a municipal utility district created on September 1, 2013, by an Act of the 83rd Legislature, Regular Session, House Bill 3943 (codified at Texas Special District Local Laws Code, Chapter 8488), in accordance with Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas and operating pursuant to Chapters 49 and 54, Texas Water Code, as amended, as confirmed at an election held within the District on November 4, 2014. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District, as it was originally created, included approximately 46 acres. Since its creation, the District has neither annexed nor excluded any tracts of land. The District is located entirely within the corporate limits of the City. The District lies approximately five (5) miles west of the central business district of the City and is bounded by Hempstead Road on the east and Old Katy Road on the south. Residents gain access to the District by traveling west from the City's central business district on Interstate Highway 10, north on Washington Avenue, and west on Old Katy Road. See "THE DISTRICT – Authority" and "– Description and Location."

Development of the District: The District is being developed as the single-family residential subdivision of Somerset Green. The status of single-family residential development in the District as of September 1, 2022, includes a total of 491 single-family residential lots located in Somerset Green, Sections 1 – 9. As of September 1, 2022, the District included approximately 285 completed homes, 100 homes under construction, and 106 vacant developed lots (of the 385 homes that are either complete or under construction, approximately 282 homes are occupied, 85 homes are under contract to be purchased by homebuyers, 3 homes are being used as model homes, and 15 homes are either being held as inventory or are under construction and yet to be put under contract with a homebuyer). Homes in the District are currently being constructed by Pelican Builders, Coventry Homes, Darling Homes, Riverway Homes, and Weekley Homes. Previous homebuilders have included Toll Brothers. Homes are currently being marketed and sold to homebuyers in the $550,000 to $1,100,000 price range. See "THE DISTRICT – Current Status of Residential Development" and "APPENDIX C – PHOTOGRAPHS TAKEN IN THE DISTRICT."

Summary of Land Uses: As of September 1, 2022, the District included approximately 37 acres that have been developed and improved for single-family residential purposes, no additional land available for future development, and approximately nine (9) aces that are undevelopable, which includes detention ponds, drainage easements, a pump station, road rights-of-way, plant sites, and open spaces. See "THE DISTRICT – Land Uses and Status of Land Development."

The System: Pursuant to a Treated Water Supply Contract (hereinafter defined), as amended, wholesale water supply for the District customers is provided by the City. The District's source of water is surface water and groundwater owned and operated by the City and a 12-inch waterline that serves the area within the District. The City has previously issued water supply commitments to provide 580 equivalent single-family connections ("ESFCs") to the development within the District. The City's water supply system that serves the District has sufficient capacity to serve the ultimate buildout of the District, which represents the existing 491 developed lots. The Treated Water Supply Contract is effective November 6, 2014, and has a term of 40 years from the effective date.

Pursuant to a Sanitary Sewer Service Agreement (hereinafter defined), the City has agreed to provide wholesale treatment capacity for the ultimate wastewater discharge of the District. Wastewater treatment for the District customers is currently provided by the City's Northside/69th Street Regional Wastewater Treatment Plant. The City has previously issued wastewater capacity commitments to provide 580 ESFCs to the development within the District. The City's wastewater system that serves the District has sufficient capacity to fully serve the District. The Sanitary Sewer Service Agreement is effective November 6, 2014, has a term of 10 years from the effective date, and is automatically renewed for three (3) additional 10-year terms if not otherwise in default.

The underground storm sewer facilities serving developed portions of the District are complete. The District is located in the Sims Bayou watershed and currently drains naturally south by way of overland sheet flow and a system of reinforced concrete pipes to Buffalo Bayou. The District's storm drainage collection system consists of curbs and gutters with inlets and reinforced concrete storm sewers and detention basins that carry storm water to Buffalo Bayou.

The Treated Water Supply Contract and the Sanitary Sewer Service Agreement do not cover the detention facilities owned by the District. The District will be responsible for future maintenance of such detention facilities. See "THE SYSTEM."

The Developer: The developer in the District is Development Houston In Town LP (the "Developer"), a special-purpose, single-asset limited partnership, the general partner of which is Hines HIT GP I LLC ("GP I"). The sole owner of GP I is HT In Town Development LP ("HT In Town"), the general partner of which is Hines Houston In Town Associates Limited Partnership. The Developer was formed to develop the land located within the District. Lots developed by the Developer are transferred to In Town Phase II-III LP ("In Town II-III"), the general partner of which is Hines HIT GP II-III LLC ("GP II-III"). The limited partner of both the Developer and In Town II-III is HT In Town, with a 99% ownership interest in each.

In Town II-III owns all developed lots in the District that have not yet been sold to a homebuilder for marketing and sale to homebuilders. Based on the 2022 tax roll, the Developer is a principal taxpayer in the District. Neither the Developer nor In Town II-III has substantial assets outside of their interest in land in the District. See "THE DISTRICT'S DEVELOPER" and "DISTRICT TAX DATA – Principal Taxpayers."

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

There are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed in order 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 decreases in property values, unusual tax delinquencies, or interruptions to any 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 reinstitution of restrictions. See "RISK FACTORS – Infectious Disease Outlook (COVID-19)."

SELECTED FINANCIAL INFORMATION
(Unaudited)

6/1/2022 Estimated Taxable Value	$261,710,225	(a)
2022 Certified Taxable Value	$247,295,032	(b)
Direct Debt:		
Outstanding Bonds	$13,615,000	
The Bonds	$2,060,000	
Total Direct Debt	$15,675,000	
See "DISTRICT DEBT"		
Estimated Overlapping Debt	$6,039,060	(c)
Direct and Estimated Overlapping Debt	$21,714,060	(c)
Percentage of Direct Debt to:		
6/1/2022 Estimated Taxable Value	5.99%	
2022 Certified Taxable Value	6.34%	
See "DISTRICT DEBT"		
Percentage of Direct and Estimated Overlapping Debt to:		
6/1/2022 Estimated Taxable Value	8.30%	
2022 Certified Taxable Value	8.78%	
See "DISTRICT DEBT"		
2021 Tax Rate Per $100 of Assessed Value:		
Debt Service Tax	$0.22	
Road Debt Service Tax	$0.07	
Maintenance and Operations Tax	$0.21	
Total 2021 Tax Rate	$0.50	(d)
Cash and Temporary Investment Balances as of September 22, 2022:		
General Fund	$981,760	(e)
Debt Service Fund	$411,234	(f) (g)
Road Debt Service Fund	$93,026	(f)

(a) The Estimated Taxable Value as of June 1, 2022, was prepared by the Harris County Appraisal District ("HCAD" or the "Appraisal District") and provided to the District for informational purposes only. The estimated value is not binding on HCAD and any value resulting from new homebuilding and construction in the District since January 1, 2022, will not be included on the District's tax roll until the January 1, 2023 certified tax roll is prepared during the second half of 2023. The District is authorized by law to only levy taxes against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."

(b) Reflects the January 1, 2022 Certified Taxable Value according to data supplied to the District by HCAD, which includes $28,423,363 of uncertified taxable value that is still in the certification process. Such amount of uncertified value represents HCAD's estimate of the taxable value that will ultimately be certified on the District's tax roll after successful protest. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."

(c) See "DISTRICT DEBT – Estimated Overlapping Debt."

(d) The Board has adopted a total tax rate of $0.50 per $100 of assessed valuation for the 2022 tax year, which is comprised of $0.28 per $100 of assessed valuation for the debt service tax rate, $0.06 per $100 of assessed valuation for the road debt service tax rate, and $0.16 per $100 of assessed valuation for the maintenance and operations tax rate.

(e) Unaudited figure per the District's records. See "THE SYSTEM – General Fund Operating History."

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

(g) The cash and investment balance in the Debt Service Fund reflected above includes $77,250 of capitalized interest on the Bonds, which will be deposited into the Debt Service Fund on the date of delivery of the Bonds. See "USE OF BOND PROCEEDS."

DEBT SERVICE REQUIREMENTS

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

		Plus: Debt Service on the Bonds		
	Outstanding			Total
Year	Debt Service	Principal	Interest	Debt Service
2022	$691,845	-	-	$691,845
2023	$670,148	-	$98,129	$768,277
2024	$785,356	$45,000	$105,475	$935,831
2025	$768,243	$45,000	$102,325	$915,568
2026	$756,073	$50,000	$98,875	$904,948
2027	$793,386	$50,000	$95,250	$938,636
2028	$804,902	$55,000	$92,125	$952,027
2029	$815,424	$55,000	$89,375	$959,799
2030	$825,524	$60,000	$86,500	$972,024
2031	$806,399	$60,000	$83,500	$949,899
2032	$792,702	$65,000	$80,375	$938,077
2033	$852,680	$65,000	$77,125	$994,805
2034	$831,442	$70,000	$73,750	$975,192
2035	$839,905	$75,000	$70,125	$985,030
2036	$867,299	$75,000	$66,375	$1,008,674
2037	$843,715	$80,000	$62,500	$986,215
2038	$873,668	$85,000	$58,375	$1,017,043
2039	$872,130	$90,000	$54,000	$1,016,130
2040	$850,152	$95,000	$49,375	$994,527
2041	$872,425	$100,000	$44,500	$1,016,925
2042	$912,825	$105,000	$39,375	$1,057,200
2043	$921,350	$110,000	$34,000	$1,065,350
2044	$461,187	$115,000	$28,375	$604,562
2045	$447,875	$120,000	$22,500	$590,375
2046	$312,265	$125,000	$16,375	$453,640
2047	$181,234	$130,000	$10,000	$321,234
2048	$177,078	$135,000	$3,375	$315,453
TOTALS	**$19,627,232**	**$2,060,000**	**$1,642,054**	**$23,329,286**

Maximum Annual Debt Service Requirement (2043) $1,065,350

$0.43 debt service tax rate on the June 1, 2022 Estimated Taxable Value of $261,710,225 at 95% collections.. $1,069,086

$0.46 debt service tax rate on the 2022 Certified Taxable Value of $247,295,032 at 95% collections.. $1,080,679

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

PRELIMINARY OFFICIAL STATEMENT

relating to

$2,060,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 537
(A political subdivision of the State of Texas located within Harris County, Texas)

UNLIMITED TAX BONDS

SERIES 2022

INTRODUCTION

This Preliminary Official Statement provides certain information in connection with the issuance of $2,060,000 Unlimited Tax Bonds, Series 2022 (the "Bonds") by Harris County Municipal Utility District No. 537 (the "District"). The District is located entirely within the corporate limits of the City of Houston, Texas (the "City").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended; an order authorizing the issuance of the Bonds (the "Bond Order") to be adopted by the Board of Directors of the District; an order of the Texas Commission on Environmental Quality (the "TCEQ"); Chapter 8488 of the Special District Local Laws Code; and a bond election held within the District on November 4, 2014.

This Official Statement includes descriptions of the Bonds, the Bond Order, certain information about the District, the District's financial condition, and the Developer. 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 Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel, upon payment of duplication costs thereof.

RISK FACTORS

General

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

Infectious Disease Outlook (COVID-19)

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

There are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed in order 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 decreases in property values, unusual tax delinquencies, or interruptions to any 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 reinstitution of restrictions.

Winter Storm Uri

From February 12-19, 2021, the State of Texas experienced a severe winter storm ("Winter Storm Uri") which included prolonged freezing temperatures, heavy snow and freezing rains statewide. Winter Storm Uri led to power outages and potable and non-potable water shortages in many areas of the State, including the District. The federal government issued a Major Disaster Declaration for the State of Texas and has included federal funding for emergency protective measures. The District did not sustain material damage to its infrastructure during Winter Storm Uri, but the District cannot predict the impact of future winter weather events.

Marketability

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

Tax Collections

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be impaired by: (a) repetitive, annual, expensive collection procedures; (b) a federal bankruptcy court's stay of tax collection procedures; or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such 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. See “TAXING PROCEDURES – District’s Rights in the Event of Tax Delinquencies.”

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 of the Bonds (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. Even if such sovereign immunity were waived and a judgment against the District for money damages were obtained, the judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by Texas statutes or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

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

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

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners' claim.

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

A district cannot be placed into bankruptcy involuntarily.

Approval of the Bonds

As required by law, use of proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. Additionally, the Attorney General of the State of Texas must approve the legality of the Bonds prior to delivery. Neither the TCEQ nor the Attorney General of the State of Texas pass upon or guarantee the safety of the Bonds as an investment. Furthermore, neither the TCEQ nor the Attorney General of the State of Texas pass upon the adequacy or the accuracy of the information contained in this Official Statement.

Economic Factors

The Houston metropolitan area has, in the past, experienced slower/negative job growth, increased unemployment, business failures, and slow absorption of office space during periods of relatively low oil and natural gas prices. Certain of these factors are showing signs of recurring in the Harris County area economy at this time. These factors could affect the demand for new residential home construction and commercial development and, hence, the growth and maintenance of property values. The continued maintenance of taxable values in the District is directly related to the housing and building industry. The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions including the relative price of oil and natural gas. A return to relatively high mortgage interest rates similar to those experienced in the past may adversely affect the availability and desirability of mortgage financing for new homes, reducing demand by homebuilders for lots within the District.

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

An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon home-building plans altogether.

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

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

Potential Effects of Oil Price Volatility on the Houston Area

The recent volatility in oil prices in the U.S. and globally, which at times has led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

Dependence on the Energy Industry

The economy of the Houston metropolitan area, which has sometimes been referred to as the energy capital of the world, is, in part, dependent upon the oil and gas and petrochemical industries. During the height of the COVID-19 pandemic in 2020, worldwide consumption of energy decreased dramatically and led to the lowest oil prices in three decades. This led to layoffs of workers, business failures and reduced capital and operating expenditures by energy companies. While there has been some rebound, Houston area jobs in the energy industry have not fully recovered. In 2021, the United States rejoined the 2015 Paris

Climate Accords, under which many countries have agreed to move away from fossil fuels to alleviate climate change. Although major energy companies expect that fossil fuels will be vital to the global economy for many years to come, they have recognized the need to direct more investment toward various clean energy projects. The pace and success of these efforts could significantly affect the Houston economy in the future.

Dependence on Future Development and Potential Impact on District Tax Rates

The District intends to maintain a plan of financing that should allow the District to keep a total tax rate (including maintenance and operations tax rate, debt service tax rate, and road debt service tax rate) of $0.50 per $100 of assessed valuation.

Assuming no further construction of residential homes within the District other than those that have been constructed, the value of such land and improvements within the District could be a major determinant of the ability of the District to collect and the willingness of property owners to pay ad valorem taxes levied by the District. After issuance of the Bonds, the District's Maximum Annual Debt Service Requirement will be $1,065,350 (2043). Assuming no increase or decrease in the June 1, 2022 Estimated Taxable Value of $261,710,225 and no use of other District funds, a debt service tax rate of $0.43 per $100 of assessed value at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. Assuming no increase or decrease in the 2022 Certified Taxable Value of $247,295,032 (including $28,423,363 of uncertified taxable value, which represents HCAD's estimate of the taxable value that will ultimately be certified on the District's tax roll after successful protest) and no use of other District funds, a debt service tax rate of $0.46 per $100 of assessed value at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. The District is dependent in part on ad valorem taxes to fund maintenance and operations. See "– Operating Funds" herein and "DISTRICT TAX DATA – Adequacy of Tax Revenue."

Operating Funds

The District receives water and sewer service from the City and is billed wholesale water and sewer rates from the City. The District's General Fund budget is currently dependent upon maintenance and operations tax revenues in order to remain in balance. The District set a 2021 maintenance and operations tax rate in the amount of $0.21 per $100 of assessed valuation. The revenue produced from the maintenance and operations tax must be sufficient to offset substantially all of the District's operating expenses. Additionally, the Developer has made operating advances to the District's General Fund from time to time since inception of the District, but no such advances have been necessary for the past several years and the District is not currently budgeting, nor anticipating the need for, any operating advances for the foreseeable future. The District's unaudited cash and investment balance in the General Fund as of September 22, 2022, was $981,760. Continued maintenance of a positive General Fund balance will depend upon: (1) development and increased amounts of maintenance and operations tax revenue; and (2) increased operating revenues (as occupied homes are added in the District).

If the District's General Fund is depleted, the District will be required to levy a maintenance and operations tax at a rate sufficient to fund operating expenses. Such tax when added to the District's debt service tax rate and road debt service tax rate may result in a total District tax rate that could adversely affect continued development of the District, as well as the willingness of the taxpayers to pay taxes on their property. The District currently expects that it will be able to maintain a total tax rate of $0.50 per $100 of assessed valuation subsequent to the sale of the Bonds. See "– Future Debt" herein.

Landowners/Developer Under No Obligation to the District

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

Principal Landowners' Obligations to the District

The District's tax base is, to a certain extent, concentrated in a small number of taxpayers. Based on the District's 2022 certified tax roll, the District's nine (9) largest taxpayers include the Developer and homebuilders in the District; such principal taxpayers represent approximately $36,114,080 of taxable value or approximately 14.60% of the 2022 certified tax roll. See "DISTRICT TAX DATA – Principal Taxpayers." Based on the 2022 certified tax roll, the Developer's property within the District was valued at $17,335,244 or approximately 7.01% of the District's 2022 certified tax roll. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers, or (ii) less concentrated in property owned by a relatively small number of property owners, than it is currently. Failure by one or more of the District's principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal taxpayers did not pay taxes due, the District might need to increase its debt service tax rate to meet its debt service requirements.

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

Competition

The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. Many of the other developments are generally accessible by the same commuter routes and served by the same employment centers and school districts causing the developments to compete with one another for the same pool of buyers at similar price points and amenity levels.

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

Future Debt

The District's voters have, at an election held within the District on November 4, 2014, authorized the issuance of a total of $38,000,000 of unlimited tax bonds and $57,000,000 of refunding bonds for the purposes of providing water, sewer, and drainage facilities and improvements; $7,500,000 of unlimited tax bonds and $11,250,000 of refunding bonds for the purposes of providing road facilities and improvements; and $12,000,000 of unlimited tax bonds and $18,000,000 of refunding bonds for the purposes of providing park and recreational facilities and improvements. Following the issuance of the Bonds, $24,090,000 of unlimited tax bonds and $53,170,000 of refunding bonds for water, sewer and drainage facilities and improvements, $5,200,000 of unlimited tax bonds and $11,250,000 of refunding bonds for road facilities and improvements, and $12,000,000 of unlimited tax bonds and $18,000,000 of refunding bonds for park and recreational facilities and improvements will remain authorized and unissued. The District has the right to issue the remaining unissued new money bonds and refunding bonds as may hereafter be approved by the Board without additional elections. Voters could authorize the issuance of additional bonds in the future. Any future new money bonds, other than road bonds, to be issued by the District must be approved by the TCEQ. Any additional new money bonds or refunding bonds would be issued on a parity with the Bonds. Generally, the Board of Directors has indicated that, in the future, new money bonds will be issued in amounts and in timeframes depending upon: (i) the rate of growth of taxable improvements in the District, and (ii) the District's ability to maintain a total tax rate of $0.50 per $100 of assessed valuation. See "– Operating Funds" herein.

On June 2, 2021, the District received the approval of a $5,060,000 bond application (herein, the "Bond Application") by the TCEQ. Subsequent to TCEQ approval of the Bond Application, the District issued its $3,000,000 Unlimited Tax Bonds, Series 2021A, which included funds to finance certain of the projects included in the Bond Application. The Bonds represent the balance of the projects and bonds included in the District's Bond Application. See "USE OF BOND PROCEEDS."

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless, effective June 14, 2021, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not more than three percent of the value of the taxable property in the District. The District has authorized $12,000,000 of unlimited tax bonds and $18,000,000 of refunding bonds for park and recreational facilities at an election held on November 4, 2014.

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

Continuing Compliance with Certain Covenants

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

Environmental and Air Quality Regulations

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

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;

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

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

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

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

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

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

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

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

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

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

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

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

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was renewed by the TCEQ effective January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The renewed MS4 Permit contains more stringent requirements than the standards contained in the previous MS4 Permit. The District has submitted all necessary documentation to the TCEQ for MS4 Permit compliance. In order to maintain its current compliance with the TCEQ under the MS4 Permit, the District continues to develop and implement the required plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Unknown future costs associated with these compliance activities may be significant in the future.

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

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

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

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

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of "waters of the United States." On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice Proposed Rulemaking to put back into place the pre-2015 definition of "waters of the United States," and on December 7, 2021, the proposed rule was published in the Federal Register, with the public comment period closing on February 7, 2022. Due to existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Bond Insurance Risk Factors

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

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

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

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

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

Neither the District nor the Underwriter 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. See "BOND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Changes in Tax Legislation

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

Severe Weather

The District is located approximately 60 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, winter storms, heavy rain, and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood 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 would be adversely affected.

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

Hurricane Harvey

The Houston area, including Harris County, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to the District's operator, the District's System (hereinafter defined) did not sustain any significant damage and there was no interruption of water and sewer service during or after the storm. According to the District's Developer, no homes within the District experienced flooding or other significant damage as a result of Hurricane Harvey.

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

Temporary Tax Exemption for Property Damaged by Disaster

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

Tax Payment Installments After Disaster

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

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

Harris County and City of Houston Floodplain Regulations

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

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

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

The new and amended Harris County and City regulations may have a negative impact on new development in and around the District as well as on the rehabilitation of existing homes impacted by flooding or other natural disasters.

Atlas 14

The new and amended Harris County and City regulations may have a negative impact on new development in those subdivisions in the District that are within Harris County or in the City's corporate limits and extraterritorial jurisdiction. In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used by the District to: (1) reimburse the Developer for advancing funds to construct certain water, drainage, and detention facilities and related engineering and testing costs; (2) fund certain improvements to the District's water distribution system; (3) fund developer interest related to the advancement of funds for certain costs; (4) fund capitalized interest on the Bonds; and (5) pay certain administrative costs and costs related to the issuance of the Bonds. To the extent surplus funds are available from the sale of the Bonds, such funds may be expended for any lawful purpose for which surplus funds may be used, with approval of the TCEQ.

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

CONSTRUCTION COSTS	**Total Amount**	(a)
District Items		
Detention and Spoil Disposal to Serve Somerset Green	$51,074	
Water Repressurization System	$350,000	
Contingencies	$65,000	
Engineering	$455,571	
Materials Testing	$25,113	
Storm Water Pollution Prevention Plan	$19,614	
Settlement for Detention and Spoil Disposal	$134,301	
Total District Items	**$1,100,673**	
TOTAL CONSTRUCTION COSTS	**$1,100,673**	(b)
NON-CONSTRUCTION COSTS		
Legal Fees	$57,607	
Fiscal Agent Fees	$41,200	
Interest Costs:		
Capitalized Interest (12 months)	$77,250	
Developer Interest	$569,250	
Bond Discount	$61,666	
Bond Issuance Expenses	$42,010	
Operation Expenses	$103,000	
TCEQ Bond Issuance Fee	$5,150	
Attorney General's Fee	$2,060	
Contingency	$134	(c)
TOTAL NON-CONSTRUCTION COSTS	**$959,327**	
TOTAL BOND ISSUE REQUIREMENT	**$2,060,000**	

(a) On June 2, 2021, the District received the approval of a $5,060,000 bond application (herein, the "Bond Application") by the TCEQ. Subsequent to TCEQ approval of the Bond Application, the District issued its $3,000,000 Unlimited Tax Bonds, Series 2021A, which included funds to finance certain of the projects included in the Bond Application. The Bonds represent the balance of the projects and bonds included in the District's Bond Application. See "RISK FACTORS – Future Debt."

(b) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities. The District has been granted a waiver of such requirement.

(c) Represents the difference between the estimated and actual Bond Discount. Such funds will be used by the District to fund costs only after approval by the TCEQ.

THE SYSTEM

Regulation

According to the District's engineer, BGE, Inc. (the "Engineer"), the District's water distribution, wastewater collection, and drainage facilities (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 TCEQ, and the City. According to the Engineer, the design of all such facilities has been approved by all required governmental agencies and the construction of all such facilities has been inspected by the TCEQ.

Operation of the District's wholesale water production waterworks and sewage treatment facilities is provided by the City, and is subject to regulation by, among others, the EPA and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Water System

Pursuant to that certain Treated Water Supply Contract, dated November 6, 2014, by and between the City and the District, as amended by that certain Addendum to Treated Water Supply Contract dated November 6, 2014 (collectively the "Treated Water Supply Contract"), wholesale water supply for the District's customers is provided by the City. The District's source of water is surface water and groundwater owned and operated by the City and a 12-inch waterline that serves the area within the District. The City provides wholesale water service to the District through two points of delivery within the District that distribute water directly into the District's distribution system. The District is responsible for the operation and maintenance of its water system beyond the points of delivery. The City has previously issued water supply commitments to provide 580 ESFCs to the developments within the District. The City's water supply system that serves the District has sufficient capacity to serve the ultimate buildout of the District, which represents the existing 491 developed lots. The Treated Water Supply Contract has a term of 40 years from the effective date of November 6, 2014.

Wastewater System

Pursuant to that certain Sanitary Sewer Service Agreement, dated November 6, 2014, by and between the City and the District (the "Sanitary Sewer Service Agreement"), the City has agreed to provide wholesale wastewater treatment capacity for the ultimate wastewater discharge of the District. Wastewater treatment for the District's customers is currently provided by the City's Northside/69th Street Regional Wastewater Treatment Plant. The District is responsible for the operation and maintenance of its wastewater collection system within the boundaries of the District and certain portions of the City's wastewater collection system that are located within property owned by Union Pacific Railroad and adjacent to the District. The City has previously issued wastewater capacity commitments to provide 580 ESFCs to the developments within the District. The City's wastewater system that serves the District has sufficient capacity to serve the ultimate buildout of the District, which represents the existing 491 developed lots. The Sanitary Sewer Service Agreement has a term of 10 years from the effective date of November 6, 2014, and is automatically renewed for three (3) additional 10-year terms if not otherwise in default.

Drainage and Detention System

The underground storm sewer facilities serving developed portions of the District are complete. The District is located in the Sims Bayou watershed and currently drains naturally south by way of overland sheet flow and a system of reinforced concrete pipes to Buffalo Bayou. The District's storm drainage collection system consists of curbs and gutters with inlets and reinforced concrete storm sewers and detention basins that carry storm water to Buffalo Bayou. The District will be responsible for future maintenance of such detention facilities.

General Fund Operating History

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

	Fiscal Year Ended May 31 (a)				
	2022	**2021**	**2020**	**2019**	**2018**
REVENUES					
Water service	$88,693	$74,752	$64,222	$53,119	$28,683
Sewer service	$108,888	$93,709	$84,493	$66,262	$42,067
Property taxes	$427,507	$356,363	$220,650	$168,258	$127,262
Penalty and interest	$4,013	$3,110	$3,578	$3,228	$2,466
Tap connection and inspection	$133,000	$78,000	$73,133	$53,061	$84,000
Miscellaneous	$8,905	$6,134	$7,966	$12,368	$1,353
TOTAL REVENUES	**$771,006**	**$612,068**	**$454,042**	**$356,296**	**$285,831**
EXPENDITURES					
Current service operations:					
Purchased services	$165,539	$124,905	$98,654	$107,774	$57,563
Professional fees	$77,578	$79,751	$90,192	$90,968	$107,287
Contracted services	$128,788	$86,034	$67,301	$50,205	$53,022
Repairs and maintenance	$199,354	$105,684	$70,296	$62,536	$58,805
Utilities	$2,397	$2,295	$2,481	$2,605	$2,429
Administrative	$14,940	$15,776	$13,626	$10,943	$12,578
Other	$6,411	$9,435	$3,314	$6,379	$7,766
Capital outlay	-	-	$25,045	-	-
TOTAL EXPENDITURES	**$595,007**	**$423,880**	**$370,909**	**$331,410**	**$299,450**
EXCESS/DEFICIENCY (b)	**$175,999**	**$188,188**	**$83,133**	**$24,886**	**($13,619)**

(a) Data is taken from District's audited financial statements. See "APPENDIX A."

(b) As of September 22, 2022, the District's General Fund had an unaudited cash and investment balance of $981,760. For the fiscal year ending May 31, 2023, the District's General Fund is currently budgeting revenues of approximately $648,500 and expenditures of approximately $644,400.

THE DISTRICT

Authority

The District is a municipal utility district created on September 1, 2013, by an Act of the 83rd Legislature, Regular Session, House Bill 3943 (codified at Texas Special District Local Laws Code, Chapter 8488), in accordance with Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas, and operating pursuant to Chapters 49 and 54, Texas Water Code, as amended, as confirmed at an election held within the District on November 4, 2014. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Additionally, the District has certain road powers and under certain limited circumstances the District also is authorized to construct, develop, and maintain park and recreational facilities.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent for its creation from the City, within whose corporate limits the District lies, the District has agreed to observe certain City requirements. These requirements limit the purposes for which the District may sell bonds for the acquisition and improvement of waterworks, wastewater, and drainage facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require approval by the City of the District's construction plans and specifications.

Description and Location

The District, as it was originally created, included approximately 46 acres. Since its creation, the District has neither annexed nor excluded any tracts of land. The District is located within the corporate limits of the City. The District lies approximately five (5) miles west of the central business district of the City and is bounded by Hempstead Road on the east and Old Katy Road on the south. Residents gain access to the District by traveling west from the City's central business district on Interstate Highway 10, north on Washington Avenue, and west on Old Katy Road.

Land Uses and Status of Land Development

A summary of the approximate land use in the District as of September 1, 2022, appears in the table below:

Type of Land Use	Approximate Acres	
Fully developed acres	37	(a)
Remaining developable acres	0	
Undevelopable acres	9	(b)
Total approximate acres	**46**	

(a) Represents acreage in Somerset Green, Sections 1 – 9, which has been developed with water, wastewater, drainage, and paving facilities and includes single-family residential improvements.

(b) Undevelopable acreage amounts represent detention ponds, drainage easements, a pump station, road rights-of-way, plant sites, and open spaces.

Current Status of Residential Development

The land within the District is being developed as the single-family residential subdivision of Somerset Green. The status of single-family residential development in the District as of September 1, 2022, includes a total of 491 single-family residential lots located in Somerset Green, Sections 1 – 9. As of September 1, 2022, the District included approximately 285 completed homes, 100 homes under construction, and 106 vacant developed lots (of the 385 homes that are either complete or under construction, approximately 282 homes are occupied, 85 homes are under contract to be purchased by homebuyers, 3 homes are being used as model homes, and 15 homes are either being held as inventory or are under construction and yet to be put under contract with a homebuyer). All of the single-family residential lots in the District have been constructed and the District includes no additional developable acreage. See "– Land Uses and Status of Land Development" herein.

Homes in the District are currently being constructed by Pelican Builders, Coventry Homes, Darling Homes, Riverway Homes, and Weekley Homes. Previous homebuilders have included Toll Brothers. Homes are currently being marketed and sold to homebuyers in the $550,000 to $1,100,000 price range. See "APPENDIX C – PHOTOGRAPHS TAKEN IN THE DISTRICT" for further illustration of the various products of homes being constructed in the District.

THE DISTRICT'S DEVELOPER

Role of a Developer

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

Description of the Developer

The Developer in the District is Development Houston In Town LP (the "Developer"), a special-purpose, single-asset limited partnership, the general partner of which is Hines HIT GP I LLC ("GP I"). The sole owner of GP I is HT In Town Development LP ("HT In Town"), the general partner of which is Hines Houston In Town Associates Limited Partnership. The Developer was formed to develop the land located within the District. Lots developed by the Developer are transferred to In Town Phase II-III LP ("In Town II-III"), the general partner of which is Hines HIT GP II-III LLC ("GP II-III"). The limited partner of both the Developer and In Town II-III is HT In Town, with a 99% ownership interest in each.

In Town II-III owns all developed lots in the District that have not yet been sold to a homebuilder for marketing and sale to homebuilders. Based on the 2022 tax roll, the Developer is a principal taxpayer in the District. See "DISTRICT TAX DATA – Principal Taxpayers." Neither the Developer nor In Town II-III has substantial assets outside of their interest in land in the District.

Developer's Financing

The Developer entered into a land acquisition and development loan with Flagstar Bank in March 2020 (herein, the "Loan"). The Loan currently has an outstanding balance of $1,191,071. According to the Developer, the Loan is current, has never been in default, and the Developer anticipates that the Loan will be paid in full by the end of calendar year 2022. The Developer previously had a seller-financed land loan and promissory notes attributable to the development of the Somerset Green subdivision in the District. According to the Developer, the seller-financed land loan and promissory notes have been paid in full and are no longer outstanding.

LOCATION MAP

VICINITY MAP
N.T.S.
KEY MAP PAGE NO. 492A
GIMS 5258a
ZIP CODE 77055

AERIAL PHOTOGRAPH

MANAGEMENT OF THE DISTRICT

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

Name	Title	Expires May
Allen Watson	President	2026
Beatriz Armendarez	Vice President	2024
Anthony Sartori	Secretary	2026
Nancy Turner	Assistant Secretary	2024
James Balock	Assistant Secretary	2026

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

Tax Assessor/Collector – The District's Tax Assessor/Collector is Bob Leared Interests, Inc., who is employed under an annual contract to perform the District's tax collection functions.

Bookkeeper – The District has contracted with L&S District Services, LLC for bookkeeping services.

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

Utility System Operator – The City of Houston is the operator of the System, except that Texas Operations & Professional Services, Inc. is the operator for the District's water distribution and wastewater collection system beyond points of delivery by the City.

Engineer – The consulting engineer for the District is BGE, Inc.

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

Bond Counsel – Sanford Kuhl Hagan Kugle Parker Kahn LLP serves as Bond Counsel to the District and as counsel for the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

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

DISTRICT DEBT

6/1/2022 Estimated Taxable Value	$261,710,225	(a)
2022 Certified Taxable Value	$247,295,032	(b)
Direct Debt:		
Outstanding Bonds	$13,615,000	
The Bonds	$2,060,000	
Total Direct Debt	$15,675,000	
Estimated Overlapping Debt	$6,039,060	(c)
Direct and Estimated Overlapping Debt	$21,714,060	(c)
Percentage of Direct Debt to:		
6/1/2022 Estimated Taxable Value	5.99%	
2022 Certified Taxable Value	6.34%	
Percentage of Direct and Estimated Overlapping Debt to:		
6/1/2022 Estimated Taxable Value	8.30%	
2022 Certified Taxable Value	8.78%	
2021 Tax Rate Per $100 of Assessed Value:		
Debt Service Tax	$0.22	
Road Debt Service Tax	$0.07	
Maintenance and Operations Tax	$0.21	
Total 2021 Tax Rate	$0.50	(d)
Cash and Temporary Investment Balances as of September 22, 2022:		
General Fund	$981,760	(e)
Debt Service Fund	$411,234	(f) (g)
Road Debt Service Fund	$93,026	(f)

(a) The Estimated Taxable Value as of June 1, 2022, was prepared by HCAD and provided to the District for informational purposes only. The estimated value is not binding on HCAD and any value resulting from new homebuilding and construction in the District since January 1, 2022, will not be included on the District's tax roll until the January 1, 2023 certified tax roll is prepared during the second half of 2023. The District is authorized by law to only levy taxes against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."

(b) Reflects the January 1, 2022 Certified Taxable Value according to data supplied to the District by HCAD, which includes $28,423,363 of uncertified taxable value that is still in the certification process. Such amount of uncertified value represents HCAD's estimate of the taxable value that will ultimately be certified on the District's tax roll after successful protest. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."

(c) See "Estimated Overlapping Debt" herein.

(d) The Board has adopted a total tax rate of $0.50 per $100 of assessed valuation for the 2022 tax year, which is comprised of $0.28 per $100 of assessed valuation for the debt service tax rate, $0.06 per $100 of assessed valuation for the road debt service tax rate, and $0.16 per $100 of assessed valuation for the maintenance and operations tax rate.

(e) Unaudited figure per the District's records. See "THE SYSTEM – General Fund Operating History."

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

(g) The cash and investment balance in the Debt Service Fund reflected above includes $77,250 of capitalized interest on the Bonds, which will be deposited into the Debt Service Fund on the date of delivery of the Bonds. See "USE OF BOND PROCEEDS."

Estimated Overlapping Debt

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

		Overlapping Debt	
Taxing Jurisdiction	**Outstanding Debt**	**Overlapping %**	**Amount**
Houston Independent School District	$2,336,360,000	0.10%	$2,250,086
Harris County	$1,534,782,125	0.04%	$578,219
Harris County Flood Control District	$584,900,000	0.04%	$224,157
Port of Houston Authority	$469,434,397	0.04%	$181,331
Harris County Hospital District	$76,385,000	0.04%	$29,268
Harris County Department of Education	$20,185,000	0.04%	$7,603
Houston Community College System	$469,970,000	0.09%	$406,246
City of Houston	$3,163,795,000	0.07%	$2,362,150
Total Overlapping Debt			**$6,039,060**
The District (a)			$15,675,000
Total Direct and Estimated Overlapping Debt			**$21,714,060**

(a) Includes the Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

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

Tax Year	Taxable Value (a)	Tax Rate (b)	Tax Levy	Cumulative Tax Collections (c)	Tax Year Ended September 30
2021	$196,224,850	$0.50	$981,124	99%	2022
2020	$180,931,069	$0.50	$904,655	100%	2021
2019	$141,642,345	$0.50	$708,212	100%	2020
2018	$127,350,764	$0.50	$636,754	100%	2019
2017	$71,311,161	$0.50	$356,556	100%	2018

(a) See "Analysis of Tax Base" herein.

(b) See "Tax Rate Distribution" herein.

(c) Represents cumulative collections as of August 31, 2022.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters have authorized a maintenance and operations tax of up to $1.50 per $100.00 of assessed valuation at elections held on November 4, 2014. See "– Tax Rate Distribution" herein.

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all of any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds.

Park and Recreational Facilities Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of park and recreational facilities. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters have authorized a park and recreational facilities tax of up to $0.10 per $100.00 of assessed valuation at elections held on November 4, 2014. The Board has never levied a park and recreational facilities tax and the Board currently has no plans to levy such tax.

Tax Rate Distribution

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

	2021	2020	2019	2018	2017
Debt Service	$0.22	$0.23	$0.29	$0.32	$0.30
Road Debt Service	$0.07	$0.06	$0.06	$0.04	$0.00
Maintenance/Operation	$0.21	$0.21	$0.15	$0.14	$0.20
Total	**$0.50**	**$0.50**	**$0.50**	**$0.50**	**$0.50**

Additional Penalties

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

Principal Taxpayers

The list of principal taxpayers for 2022 and the other information provided by this table were provided by HCAD to the District's Tax Assessor/Collector based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of HCAD.

Property Owner	Property Description		Property Value	% of Total (a)
Development Houston In Town LP (b)	Land		$17,335,244	7.01%
Weekley Homes LLC	Land		$5,357,352	2.17%
Riverway Builders LLC	Land and Improvements		$3,821,228	1.55%
DFH Coventry LLC	Land and Improvements		$2,922,559	1.18%
Riverway Homes LLC	Land and Improvements		$1,590,000	0.64%
Toll Houston TX LLC	Land and Improvements		$1,346,269	0.54%
Somerset Commons LLC	Land		$1,299,660	0.53%
Riverview Builders LLC	Land and Improvements		$1,290,570	0.52%
Darling Homes of Texas LLC	Land and Improvements		$1,151,198	0.47%
Homeowner	Land and Improvements		$958,830	0.39%
		TOTALS	**$37,072,910**	**14.99%**

(a) The 2022 Certified Taxable Value used in the calculations above includes $28,423,363 of uncertified taxable value that is still in the certification process. Such amount of uncertified value represents HCAD's estimate of the taxable value that will ultimately be certified on the District's tax roll after successful protest. The District is authorized by law to levy taxes only against certified values. See "TAXING PROCEDURES."

(b) See "THE DISTRICT'S DEVELOPER – Description of the Developer."

Analysis of Tax Base

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the exemptions for 2017 through 2022 and includes the District's June 1, 2022 Estimated Taxable Value.

	Type of Property						
Year	Land	Improvements	Personal Property	Gross Value	Exemptions	Taxable Value	
6/1/2022						$261,710,225	(a)
2022	$89,561,778	$131,044,476	$779,379	$221,385,633	$2,513,964	$218,871,669	(b)
2021	$90,422,089	$107,238,614	$1,170,735	$198,831,438	$2,606,588	$196,224,850	
2020	$91,709,376	$91,032,763	$1,013,769	$183,755,908	$2,824,839	$180,931,069	
2019	$84,240,115	$59,323,602	$865,368	$144,429,085	$2,786,740	$141,642,345	
2018	$85,874,628	$43,090,652	$350,558	$129,315,838	$1,965,074	$127,350,764	
2017	$51,406,417	$21,765,972	$78,836	$73,251,225	$1,940,064	$71,311,161	

(a) The Estimated Taxable Value as of June 1, 2022, was prepared by HCAD and provided to the District for informational purposes only. The District is authorized by law to only levy taxes against certified values. See "TAXING PROCEDURES."

(b) Reflects only the portion of the January 1, 2022 Certified Taxable Value that is presently certified on the District's tax roll and excludes $28,423,363 of uncertified taxable value that is still in the certification process; such amount of uncertified value represents HCAD's estimate of the taxable value that will ultimately be certified on the District's tax roll after successful protest. The District is authorized by law to levy taxes only against certified values. See "TAXING PROCEDURES."

Estimated Overlapping Taxes

The following table sets forth all 2021 taxes levied by overlapping taxing jurisdictions. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

Taxing Entities	2021 Tax Rates
Houston Independent School District	$1.094400
Harris County (a)	$0.586340
Houston Community College	$0.099092
City of Houston	$0.550830
Overlapping Taxes	**$2.330662**
The District (b)	$0.500000
Total Direct & Overlapping Taxes	**$2.830662**

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

(b) The Board has adopted a total tax rate of $0.50 per $100 of assessed valuation for the 2022 tax year, which is comprised of $0.28 per $100 of assessed valuation for the debt service tax rate, $0.06 per $100 of assessed valuation for the road debt service tax rate, and $0.16 per $100 of assessed valuation for the maintenance and operations tax rate.

Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration and reflect no net revenues of the System, no transfers of surplus funds from the District's Operating Fund to the Debt Service Fund or Road Debt Service Fund, and no increase or decrease in assessed valuation over the values listed below and utilizes a tax rate adequate to service the District's total debt service requirements after the issuance of the Bonds.

Maximum Annual Debt Service Requirements (2043) .... $1,065,350 (a)

Requires a $0.43 debt service tax rate on the June 1, 2022 Estimated Taxable Value at 95% collections .... $1,069,086 (a)

Requires a $0.46 debt service tax rate on the 2022 Certified Taxable Value at 95% collections .... $1,080,679 (a)

(a) A certain amount of the total debt service requirement will be paid for with the District's debt service tax rate (for water, sewer, and drainage purposes) and a certain portion of the total debt service requirement will be paid for with the District's road debt service tax rate. See "– Tax Rate Distribution" herein.

TAXING PROCEDURES

Authority to Levy Taxes

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

Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of $5,000 to $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran’s residence homestead to which the disabled veterans’ exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homesteads in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

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

Tax Abatement

Harris County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City (after annexation of the affected portion of the District), Harris County, Houston Independent School District, or the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. Effective September 1, 2017, certain classes of disabled veterans may receive a deferral or abatement of taxes without penalty during the time he or she owns or occupies the property as their residential homestead.

Valuation of Property for Taxation

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

The Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The 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 the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief appraiser is required by the Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land, and timberland.

The Tax Code requires HCAD to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in HCAD at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by HCAD or whether reappraisals will be conducted on a zone- or county-wide basis. The District, however, at its expense, has the right to obtain from HCAD a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as HCAD chooses to formally include such values on its appraisal roll.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against HCAD to compel compliance with the Tax Code.

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount (not to exceed 20%) established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount (not to exceed 20%) established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent (April 1). Similarly, a delinquent tax on real property incurs such additional penalty on July 1 of the year in which taxes become delinquent. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney not to exceed 20%. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead if the person: (1) has been granted an exemption under Sections 11.13, 11.132, or 11.22, Tax Code, (2) requests an installment agreement, and (3) has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. In addition, effective January 1, 2018, property owners affected by a disaster may pay property taxes in four equal installments following the disaster.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

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

District's Rights in the Event of Tax Delinquencies

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

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

Delinquent Tax Payments for Disaster Areas

Taxpayers for homesteads and small businesses damaged as a direct result of a disaster may pay property taxes on the property in four equal quarterly installments by notice to the District before the delinquency date without penalty or interest. Installments must be completed within six months of the delinquency date, which normally is February 1 but could be delayed because of delayed valuations. Quarterly payments by a substantial number of owners could adversely affect a District's collection of taxes for debt services in the year following a disaster.

A district may adopt an exemption for a portion of the value of property damaged by a declared national disaster based on the percentage of damage to the property. See "RISK FACTORS – Temporary Tax Exemption for Property Damaged by Disaster."

In addition, under the Tax Code, solely at the District's discretion, quarterly payments of ad valorem taxes on all taxable personal property of a business that lost money during a declared disaster or emergency regardless of whether the property was directly damaged as a result of the disaster or emergency are allowed.

The Effect of FIRREA on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent the FIRREA provisions are valid and applicable to any property in the District and to the extent that the affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes.

CONSOLIDATION AND DISSOLUTION

Consolidation

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

Dissolution

Under Texas law, the territory within the District may be dissolved by the City without the consent of the District or its residents, subject to compliance with Chapter 43 of the Texas Local Government Code, as amended. If dissolution by the City does occur, the District would be abolished. When the District is dissolved, the City must assume the assets, functions and obligations of the District, including the obligation to pay interest and principal on the Bonds. No representation is made concerning the likelihood of dissolution or the ability of the City to make debt service payments on the Bonds should dissolution occur.

THE BONDS

General

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

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

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

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

Optional Redemption

The District reserves the right to redeem, prior to maturity, the Bonds maturing on or after April 1, 2028, in whole or from time to time in part, on April 1, 2027, or on any date thereafter, at a price of par plus accrued interest to the date of redemption. If fewer than all of the Bonds are to be redeemed, the particular Bonds to be redeemed will be selected by the District. If fewer than all of the Bonds within any one maturity are redeemed, the particular Bonds to be redeemed shall be selected by the Registrar by lot or other random selection method. Notice of each exercise of the right of redemption will be given at least 30 days prior to the date fixed for redemption by mailing written notice by first class mail to each of the Registered Owners of the Bonds to be redeemed. When Bonds have been called for redemption, they will become due and payable on the redemption date.

Mandatory Redemption

The Bonds maturing on April 1 in the years 2029, 2033, 2036, 2039, 2042, 2045, and 2048 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown in the tables below.

$110,000 Term Bonds, due April 1, 2029

Mandatory Redemption Date	Principal Amount
April 1, 2028	$55,000
April 1, 2029 (maturity)	$55,000

$250,000 Term Bonds, due April 1, 2033

Mandatory Redemption Date	Principal Amount
April 1, 2030	$60,000
April 1, 2031	$60,000
April 1, 2032	$65,000
April 1, 2033 (maturity)	$65,000

$220,000 Term Bonds, due April 1, 2036

Mandatory Redemption Date	Principal Amount
April 1, 2034	$70,000
April 1, 2035	$75,000
April 1, 2036 (maturity)	$75,000

$255,000 Term Bonds, due April 1, 2039

Mandatory Redemption Date	Principal Amount
April 1, 2037	$80,000
April 1, 2038	$85,000
April 1, 2039 (maturity)	$90,000

$300,000 Term Bonds, due April 1, 2042

Mandatory Redemption Date	Principal Amount
April 1, 2040	$95,000
April 1, 2041	$100,000
April 1, 2042 (maturity)	$105,000

$345,000 Term Bonds, due April 1, 2045

Mandatory Redemption Date	Principal Amount
April 1, 2043	$110,000
April 1, 2044	$115,000
April 1, 2045 (maturity)	$120,000

$390,000 Term Bonds, due April 1, 2048

Mandatory Redemption Date	Principal Amount
April 1, 2046	$125,000
April 1, 2047	$130,000
April 1, 2048 (maturity)	$135,000

Notice of Redemption; Partial Redemption

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

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

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

Source of and Security for Payment

The Bonds are secured by and payable from the levy of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in the District. In the Bond Order, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees, and HCAD fees. The Bonds are obligations of the District and are not the obligations of the State of Texas, Harris County, the City, or any entity other than the District.

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

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

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

Funds

The Bond Order confirms the District's Debt Service Fund, which is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds, and any additional bonds attributable to water, sewer, and drainage, payable from taxes which may be issued in the future by the District. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Registrar.

The District also maintains a Road Debt Service Fund that is not pledged to the Bonds. Funds in the Road Debt Service Fund are available only for principal and interest payments on debt attributable to roads, and such funds are not available to pay principal and interest on the Bonds.

Paying Agent/Registrar

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

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

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Dallas, Texas. See "BOOK-ENTRY-ONLY SYSTEM" below for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax, governmental charge, or other expenses payable in connection therewith.

Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss, or theft and receipt by the District and the Registrar of security or indemnity as may be required by either of them to hold them harmless. Upon the issuance of a new bond the District will require payment of taxes, governmental charges, and other expenses (including the fees and expenses of the Registrar), bond printing and legal fees in connection with any such replacement.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds. 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 $38,000,000 of unlimited tax bonds and $57,000,000 of refunding bonds for the purposes of providing water, sewer, and drainage facilities and improvements; $7,500,000 of unlimited tax bonds and $11,250,000 of refunding bonds for the purposes of providing road facilities and improvements; and $12,000,000 of unlimited tax bonds and $18,000,000 of refunding bonds for the purposes of providing park and recreational facilities and improvements. Following the issuance of the Bonds, $24,090,000 of unlimited tax bonds and $53,170,000 of refunding bonds for water, sewer and drainage facilities and improvements, $5,200,000 of unlimited tax bonds and $11,250,000 of refunding bonds for road facilities and improvements, and $12,000,000 of unlimited tax bonds and $18,000,000 of refunding bonds for park and recreational facilities and improvements will remain authorized and unissued. The District has the right to issue the remaining unissued new money bonds and refunding bonds as may hereafter be approved by the Board without additional elections. Voters could authorize the issuance of additional bonds in the future. Any future new money bonds, other than road bonds, to be issued by the District must be approved by the TCEQ. Any additional new money bonds or refunding bonds would be issued on a parity with the Bonds.

Amendments to the Bond Order

The District may, without the consent of or notice to any Registered Owners, amend the Bond Order in any manner not detrimental to the interest of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners of a majority of the aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Order, provided that, without the consent of the Registered Owners of all of the Bonds affected, no such amendment, addition or rescission may: (a) extend the time or times of payment of the principal of and interest (or accrual of interest) on the Bonds, or reduce the principal amount thereof or the rate of interest thereon or in any other way modify the terms of payment of the principal of or interest on the Bonds; (b) give preference of any Bond over any other Bond; or (c) extend any waiver of default to subsequent defaults. In addition, the State, consistent with federal law, may in the exercise of its police power make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, maturity value 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, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

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

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

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

Purchases of 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 (each a "Beneficial Owner") of the Bonds 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 securities representing their ownership interests in Bonds except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee does 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 Certificate 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 fewer than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

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

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

The District may decide to discontinue use of Book-Entry-Only System transfers through DTC (or a successor securities depository). In that event, securities will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the District believes to be reliable; the District, the District's Financial Advisor, and the Underwriter do not take any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

TAX MATTERS

In the opinion of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, or clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (the "Service") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof, or the enforcement thereof by the Service. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the Service. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of Service positions with which the District legitimately disagrees, may not be practicable. Any action of the Service, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Proposed Tax Legislation

Proposed, and if enacted, tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the Beneficial Owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes an "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is entitled to be excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Qualified Tax-Exempt Obligations

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code and represents that (i) the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2022 is not expected to exceed $10,000,000 and (ii) the District and entities aggregated with the District under the Code have not designated more than $10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2022.

Pursuant to Section 265 of the Code, qualifying financial institutions may be permitted to deduct that portion of interest expense the financial institution is able to allocate to designated bank-qualified investments. Notwithstanding this exception, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

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

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds. Such transcript will include the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of the Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without limit as to rate or amount, upon all taxable property in the District. The District will also furnish the approving legal opinion of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The legal opinion of Bond Counsel will further address the matters described above under "TAX MATTERS." Such opinion will express no opinion with respect to the sufficiency of, security for, or marketability of the Bonds.

Legal Review

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

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

No Material Adverse Change

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

No-Litigation Certificate

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that no litigation has been filed and there is not pending, and, to the actual knowledge of the District, there is not threatened, any litigation affecting the validity of the Bonds, the levy and/or collection of taxes for the payment thereof, the organization or boundaries of the District, or the title of the then present officers of the Board.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

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

OFFICIAL STATEMENT

Sources of Information

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

Financial Advisor

The GMS Group, L.L.C. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, Official Notice of Sale, and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, The GMS Group, L.L.C. has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

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

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

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

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

Continuing Availability of Financial Information

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

The District's financial records and audit reports are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056.

Certification as to Official Statement

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

Updating of Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter 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.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 537 as of the date shown on the cover page.

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE FISCAL YEAR ENDED MAY 31, 2022

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 537

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

May 31, 2022

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McGRATH & CO., PLLC
Certified Public Accountants
2900 North Loop West, Suite 880
Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 537
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 537 (the "District"), as of and for the year ended May 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris County Municipal Utility District No. 537, as of May 31, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

McGrath & Co, PLLC

Houston, Texas
September 22, 2022

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Management’s Discussion and Analysis

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Using this Annual Report

Within this section of the financial report of Harris County Municipal Utility District No. 537 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended May 31, 2022. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

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

Financial Analysis of the District as a Whole

The District's net position at May 31, 2022, was negative $5,558,597. The District's net position is negative partially because the District has incurred debt to construct certain facilities that were conveyed to the City of Houston. A comparative summary of the District's overall financial position, as of May 31, 2022 and 2021, is as follows:

	2022	2021
Current assets	$ 1,780,197	$ 1,544,433
Capital assets	8,208,817	8,145,147
Total assets	9,989,014	9,689,580
Total deferred outflows of resources	98,466	103,155
Current liabilities	848,321	716,804
Long-term liabilities	14,797,756	14,572,764
Total liabilities	15,646,077	15,289,568
Net position		
Net investment in capital assets	(2,626,117)	(2,333,282)
Restricted	394,027	418,892
Unrestricted	(3,326,507)	(3,582,443)
Total net position	$ (5,558,597)	$ (5,496,833)

The total net position of the District decreased during the current fiscal year by $61,764. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2022	2021
Revenues		
Water and sewer services	$ 197,581	$ 168,461
Property taxes, penalties and interest	1,011,355	906,728
Tap connection and inspection	133,000	78,000
Other	10,383	7,790
Total revenues	1,352,319	1,160,979
Expenses		
Current service operations	622,805	480,909
Debt interest and fees	403,039	378,761
Developer interest	35,431	
Debt issuance costs	277,110	130,373
Depreciation/amortization	75,698	71,475
Total expenses	1,414,083	1,061,518
Change in net position before other item	(61,764)	99,461
Other item		
Capital contribution		(40,000)
Change in net position	(61,764)	59,461
Net position, beginning of year	(5,496,833)	(5,556,294)
Net position, end of period	$ (5,558,597)	$ (5,496,833)

Financial Analysis of the District's Funds

The District's combined fund balances, as of May 31, 2022, were $1,180,042, which consists of $689,524 in the General Fund, $446,064 in the Debt Service Fund, and $44,454 in the Capital Projects Fund.

General Fund

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

	2022	2021
Total assets	$ 1,204,903	$ 922,674
Total liabilities	$ 506,836	$ 392,237
Total deferred inflows	8,543	16,912
Total fund balance	689,524	513,525
Total liabilities, deferred inflows and fund balance	$ 1,204,903	$ 922,674

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

	2022	2021
Total revenues	$ 771,006	$ 612,068
Total expenditures	(595,007)	(423,880)
Revenues over expenditures	175,999	188,188
Other changes in fund balance		(40,000)
Net change in fund balance	$ 175,999	$ 148,188

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

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

Debt Service Fund

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

	2022	2021
Total assets	$ 460,512	$ 473,459
Total liabilities	$ 5	$ 6,418
Total deferred inflows	14,443	28,611
Total fund balance	446,064	438,430
Total liabilities, deferred inflows and fund balance	$ 460,512	$ 473,459

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

	2022	2021
Total revenues	$ 603,850	$ 509,157
Total expenditures	(674,028)	(782,698)
Revenues under expenditures	(70,178)	(273,541)
Other changes in fund balance	77,812	210,000
Net change in fund balance	$ 7,634	$ (63,541)

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

During the prior year, the District issued refunding bonds in the amount of $3,830,000 to refund $3,620,000 of outstanding Series 2016 bonds and save $441,076 in future debt service payments.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of May 31, 2022 and 2021 is as follows:

	2022	2021
Total assets	$ 44,454	$ 74,623
Total fund balance	$ 44,454	$ 74,623

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

	2022	2021
Total revenues	$ -	$ 77
Total expenditures	(2,802,357)	(34,501)
Revenues under expenditures	(2,802,357)	(34,424)
Other changes in fund balance	2,772,188	
Net change in fund balance	$ (30,169)	$ (34,424)

The District had considerable capital asset activity in the current year which was financed with proceeds from the issuance of its Series 2021A Unlimited Tax Bonds. The District did not have considerable capital asset activity in the prior year.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $91,409 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

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

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

	2022	2021
Capital assets not being depreciated		
Land and improvements	$ 5,555,699	$ 5,555,699
Capital assets being depreciated/amortized		
Infrastructure	2,255,417	2,255,417
Other facilities	109,650	109,650
Impact fees	728,092	588,724
	3,093,159	2,953,791
Less accumulated depreciation/amortization		
Less accumulated depreciation	(359,615)	(309,495)
Other facilities	(30,519)	(26,133)
Impact fees	(49,907)	(28,715)
	(440,041)	(364,343)
Depreciable capital assets, net	2,653,118	2,589,448
Capital assets, net	$ 8,208,817	$ 8,145,147

Capital asset additions during the current year include impact fees paid to the City of Houston.

Long-Term Debt and Related Liabilities

As of May 31, 2022, the District owes approximately $1,457,756 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

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

Series	2022	2021
2016	$ 100,000	$ 200,000
2017	2,480,000	2,555,000
2018 Road	2,250,000	2,300,000
2020	1,975,000	2,000,000
2021 Refunding	3,810,000	3,830,000
2021A	3,000,000	
	$ 13,615,000	$ 10,885,000

During the current year, the District issued $3,000,000 in unlimited tax bonds. At May 31, 2022, the District had $26,150,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and $53,170,000 authorized, but unissued for the refunding of such bonds; $12,000,000 for parks and recreational facilities and $18,000,000 authorized, but unissued for the refunding of such bonds; and $5,200,000 for road improvements and $11,250,000 authorized, but unissued for the refunding of such bonds.

Next Year's Budget

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

	2022 Actual	2023 Budget
Total revenues	$ 771,006	$ 648,500
Total expenditures	(595,007)	(644,400)
Revenues over expenditures	175,999	4,100
Beginning fund balance	513,525	689,524
Ending fund balance	$ 689,524	$ 693,624

Property Taxes

The District's property tax base increased approximately $57,414,080 for the 2022 tax year from $195,413,437 to $252,827,517, based on preliminary values. This increase was primarily due to new construction in the District and increased property values.

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Basic Financial Statements

Harris County Municipal Utility District No. 537
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 1,167,341	$ 452,041	$ 44,554	$ 1,663,936	$ -	$ 1,663,936
Taxes receivable	8,543	14,443		22,986		22,986
Customer service receivables	14,495			14,495		14,495
Internal balances	6,072	(5,972)	(100)			
Prepaid items	8,452			8,452		8,452
Prepaid bond insurance, net					70,328	70,328
Capital assets not being depreciated					5,555,699	5,555,699
Capital assets, net					2,653,118	2,653,118
Total Assets	$ 1,204,903	$ 460,512	$ 44,454	$ 1,709,869	8,279,145	9,989,014
Deferred Outflows of Resources						
Deferred difference on refunding					98,466	98,466
Liabilities						
Accounts payable	$ 112,365	$ -	$ -	$ 112,365		112,365
Accrued expenses payable	348,963			348,963		348,963
Other payables		5		5		5
Customer deposits	35,900			35,900		35,900
Builder deposits	5,108			5,108		5,108
Unearned revenue	4,500			4,500		4,500
Accrued interest payable					66,480	66,480
Due to developers					1,457,756	1,457,756
Long-term debt						
Due within one year					275,000	275,000
Due after one year					13,340,000	13,340,000
Total Liabilities	506,836	5		506,841	15,139,236	15,646,077
Deferred Inflows of Resources						
Deferred property taxes	8,543	14,443		22,986	(22,986)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	8,452			8,452	(8,452)	
Restricted		446,064	44,454	490,518	(490,518)	
Unassigned	681,072			681,072	(681,072)	
Total Fund Balances	689,524	446,064	44,454	1,180,042	(1,180,042)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,204,903	$ 460,512	$ 44,454	$ 1,709,869		
Net Position						
Net investment in capital assets					(2,626,117)	(2,626,117)
Restricted for debt service					394,027	394,027
Unrestricted					(3,326,507)	(3,326,507)
Total Net Position					$ (5,558,597)	$ (5,558,597)

See notes to basic financial statements.

Harris County Municipal Utility District No. 537
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended May 31, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	$ 88,693	$ -	$ -	$ 88,693	$ -	$ 88,693
Sewer service	108,888			108,888		108,888
Property taxes	427,507	582,606		1,010,113	(19,939)	990,174
Penalties and interest	4,013	19,766		23,779	(2,598)	21,181
Tap connection and inspection	133,000			133,000		133,000
Miscellaneous	8,905	1,478		10,383		10,383
Total Revenues	771,006	603,850		1,374,856	(22,537)	1,352,319
Expenditures/Expenses						
Current service operations						
Purchased services	165,539			165,539		165,539
Professional fees	77,578	6,593		84,171		84,171
Contracted services	128,788	16,206		144,994		144,994
Repairs and maintenance	199,354			199,354		199,354
Utilities	2,397			2,397		2,397
Administrative	14,940	2,855		17,795		17,795
Other	6,411	1,704	440	8,555		8,555
Capital outlay			2,489,376	2,489,376	(2,489,376)	
Debt service						
Principal		270,000		270,000	(270,000)	
Interest and fees		376,670		376,670	26,369	403,039
Developer interest			35,431	35,431		35,431
Debt issuance costs			277,110	277,110		277,110
Depreciation/amortization					75,698	75,698
Total Expenditures/Expenses	595,007	674,028	2,802,357	4,071,392	(2,657,309)	1,414,083
Revenues Over/(Under) Expenditures	175,999	(70,178)	(2,802,357)	(2,696,536)	2,696,536	
Other Financing Sources/(Uses)						
Proceeds from sale of bonds		77,812	2,922,188	3,000,000	(3,000,000)	
Repayment of operating advances			(150,000)	(150,000)	150,000	
Net Change in Fund Balance	175,999	7,634	(30,169)	153,464	(153,464)	
Change in Net Position					(61,764)	(61,764)
Fund Balance/Net Position						
Beginning of the year	513,525	438,430	74,623	1,026,578	(6,523,411)	(5,496,833)
End of the period	$ 689,524	$ 446,064	$ 44,454	$ 1,180,042	$ (6,738,639)	$ (5,558,597)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Municipal Utility District No. 537 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

The District was organized and created under Section 59, Article XVI and Section 52, Article III of the Texas Constitution on September 1, 2013, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on July 1, 2014 and the first bonds were issued on September 29, 2016.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer and drainage facilities and road improvements.

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Items

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

Prepaid Bond Insurance

Prepaid bond insurance reduces the District's borrowing costs and is, therefore, recorded as asset in the government-wide *Statement of Net Position* and amortized to interest expense over the life of the bonds.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At May 31, 2022, an allowance for uncollectible accounts was not considered necessary.

Unbilled Service Revenues

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

Interfund Activity

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

Capital Assets

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

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Infrastructure	45 years
Impact fees	Remaining life of contract
Other	25 years

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

Deferred Inflows and Outflows of Financial Resources

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

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

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items.

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total funds balances, governmental funds		$ 1,180,042
Prepaid bond insurance is recorded as an expenditure at the fund level, but is recorded as a prepaid asset and amortized to interest expense over the life of the bonds in the government wide statements.		70,328
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 8,648,858	
Less accumulated depreciation/amortization	(440,041)	
Change due to capital assets		8,208,817
The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.		98,466
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net	(13,615,000)	
Accrued interest payable	(66,480)	
Change due to long-term debt		(13,681,480)
Amounts due to the District's developer for pre-funded construction and operating advances are recorded as a liability in the *Statement of Net Position.*		(1,457,756)
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		22,986
Total net position - governmental activities		$ (5,558,597)

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

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

Net change in fund balances - total governmental funds		$ 153,464
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest.		(22,537)
Governmental funds report capital outlays for developer reimbursements as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.		
Capital outlays	$ 2,489,376	
Depreciation/amortization expense	(75,698)	
		2,413,678
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.		
Issuance of long-term debt	(3,000,000)	
Principal payments	270,000	
Interest expense accrual	(26,369)	
		(2,756,369)
Amounts paid to the District's developer for operating advances use financial resources at the fund level, but are recorded as a reduction in the liability in the *Statement of Net Position.*		150,000
Change in net position of governmental activities		$ (61,764)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

Note 4 – Interfund Balances and Transactions

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

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 4,637	Maintenance tax collections not remitted as of year end
General Fund	Debt Service Fund	1,335	Arbitrage study fees paid by the General Fund
General Fund	Capital Projects Fund	100	Professional fees paid by the General Fund

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

Note 5 – Capital Assets

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

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 5,555,699	$ -	$ 5,555,699
Capital assets being depreciated/amortized			
Infrastructure	2,255,417		2,255,417
Other facilities	109,650		109,650
Impact fees	588,724	139,368	728,092
	2,953,791	139,368	3,093,159
Less accumulated depreciation/amortization			
Infrastructure	(309,495)	(50,120)	(359,615)
Other facilities	(26,133)	(4,386)	(30,519)
Impact fees	(28,715)	(21,192)	(49,907)
	(364,343)	(75,698)	(440,041)
Subtotal depreciable capital assets, net	2,589,448	63,670	2,653,118
Capital assets, net	$ 8,145,147	$ 63,670	$ 8,208,817

Depreciation/amortization expense for the current year was $75,698.

Note 6 – Due to Developers

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

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

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

Due to developers, beginning of year	$ 3,957,764
Developer reimbursements	(2,489,376)
Developer funded impact fees	139,368
Repayment of operating advances	(150,000)
Due to developers, end of year	$ 1,457,756

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 13,615,000
Due within one year	$ 275,000

Note 7 – Long-Term Debt (continued)

The District's bonds payable at May 31, 2022, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2016	$ 100,000	$ 4,220,000	2.00% - 3.75%	April 1, 2018/2043	October 1, April 1	April 1, 2021
2017	2,480,000	2,630,000	2.25% - 4.00%	April 1, 2021/2043	October 1, April 1	April 1, 2023
2018 Road	2,250,000	2,300,000	3.00% - 4.00%	April 1, 2022/2045	October 1, April 1	April 1, 2023
2020	1,975,000	2,000,000	2.20% - 4.00%	April 1, 2022/2046	October 1, April 1	April 1, 2025
2021 Refunding	3,810,000	3,830,000	2.00% - 2.50%	April 1, 2022/2043	October 1, April 1	April 1, 2026
2021A	3,000,000	3,000,000	2.00% - 4.50%	April 1, 2024/2048	October 1, April 1	April 1, 2026
	$ 13,615,000					

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

At May 31, 2022, the District had $26,150,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and $53,170,000 authorized, but unissued for the refunding of such bonds; $12,000,000 for parks and recreational facilities and $18,000,000 authorized, but unissued for the refunding of such bonds; and $5,200,000 for road improvements and $11,250,000 authorized, but unissued for the refunding of such bonds.

On July 27, 2021, the District issued its $3,000,000 Series 2021A Unlimited Tax Bonds at a net effective interest rate of 2.581016%. Proceeds of the bonds were used (1) to reimburse developers for the following: the construction of capital assets within the District; engineering, impact fees and other costs associated with the construction of capital assets; and operating advances; (2) to pay developer interest at the net effective interest rate of the bonds and (3) to pay capitalized interest into the Debt Service Fund.

Note 7 – Long-Term Debt (continued)

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

Bonds payable, beginning of year	$ 10,885,000
Bonds issued	3,000,000
Bonds retired	(270,000)
Bonds payable, end of year	$ 13,615,000

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

Year	Principal	Interest	Totals
2023	$ 275,000	$ 398,882	$ 673,882
2024	400,000	391,419	791,419
2025	395,000	379,295	774,295
2026	395,000	367,194	762,194
2027	445,000	354,957	799,957
2028	470,000	341,819	811,819
2029	495,000	327,988	822,988
2030	520,000	312,863	832,863
2031	515,000	298,187	813,187
2032	515,000	284,613	799,613
2033	590,000	270,796	860,796
2034	585,000	254,569	839,569
2035	610,000	238,319	848,319
2036	655,000	221,494	876,494
2037	650,000	203,107	853,107
2038	700,000	184,326	884,326
2039	720,000	163,013	883,013
2040	720,000	141,250	861,250
2041	765,000	119,056	884,056
2042	830,000	95,794	925,794
2043	865,000	69,856	934,856
2044	425,000	42,844	467,844
2045	425,000	29,531	454,531
2046	300,000	16,219	316,219
2047	175,000	8,313	183,313
2048	175,000	4,156	179,156
	$ 13,615,000	$ 5,519,860	$ 19,134,860

Note 8 – Property Taxes

On November 6, 2014, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value. Additionally, the voters authorized an additional tax levy for use in park and recreational facilities limited to $0.10 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2022 fiscal year was financed through the 2021 tax levy, pursuant to which the District levied property taxes of $0.50 per $100 of assessed value, of which $0.21 was allocated to maintenance and operations and $0.22 was allocated to debt service and $0.07 was allocated to road debt service. The resulting tax levy was $977,067 on the adjusted taxable value of $195,413,437.

Property taxes receivable, at May 31, 2022, consisted of the following:

Current year taxes receivable	$ 20,340
Penalty and interest receivable	2,646
Property taxes receivable	$ 22,986

Note 9 – Purchased Services

Treated Water Supply Contract

On November 6, 2014, the District entered into a Treated Water Supply Contract (the "Contract") with the City of Houston (the "City"), in which the City will provide purchased treated water for the District. Under the terms of the contract, the District will be initially provided with a minimum of 1,000,000 gallons of water per month on a take or pay basis. The total maximum amount of water per month shall be 4,350,000 gallons. The City shall calculate the District's billing statements in accordance with the formula set forth in the City's Code of Ordinances. The Contract is effective for forty years. During the current year, the District recorded expenditures/expenses of $68,580 for purchased water supply.

Note 9 – Purchased Services (continued)

Sanitary Sewer Service Agreement

On November 6, 2014, the District entered into a Sanitary Sewer Service Agreement (the "Agreement") with the City. Pursuant to the Agreement, the City will provide sanitary collection and treatment services to the District. On a monthly basis, the District shall pay the rates and fees for these services, which is calculated as the total quantity of wastewater flow during the month, as measured in thousand gallons, times the wholesale wastewater rate per thousand gallons.

Sanitary Sewer Service Agreement (continued)

No capital contribution fees for wastewater capacity shall be charged by the City. Additionally, the District covenants to assess user charges to its customers that will produce sufficient revenues to discharge its obligations to the City under this Agreement. The initial term of this agreement is ten years, with an automatic renewal for no more than three additional terms of up to ten years each. During the current year, the District recorded expenditures/expenses $96,959 for purchased sewer services.

Note 10 – Risk Management

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

Required Supplementary Information

Harris County Municipal Utility District No. 537
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended May 31, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	$ 70,000	$ 88,693	$ 18,693
Sewer service	90,000	108,888	18,888
Property taxes	360,000	427,507	67,507
Penalties and interest	3,500	4,013	513
Tap connection and inspection	60,000	133,000	73,000
Miscellaneous	5,150	8,905	3,755
Total Revenues	588,650	771,006	182,356
Expenditures			
Current service operations			
Purchased services	114,000	165,539	(51,539)
Professional fees	111,000	77,578	33,422
Contracted services	97,500	128,788	(31,288)
Repairs and maintenance	115,675	199,354	(83,679)
Utilities	2,700	2,397	303
Administrative	16,200	14,940	1,260
Other	6,985	6,411	574
Total Expenditures	464,060	595,007	(130,947)
Revenues Over Expenditures	124,590	175,999	51,409
Other Financing Uses			
Capital contribution	(40,000)		40,000
Net Change in Fund Balance	84,590	175,999	91,409
Fund Balance			
Beginning of the year	513,525	513,525	
End of the year	$ 598,115	$ 689,524	$ 91,409

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Harris County Municipal Utility District No. 537
TSI-1. Services and Rates
May 31, 2022

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

- [X] Retail Water
- [ ] Wholesale Water
- [X] Solid Waste / Garbage
- [X] Drainage
- [X] Retail Wastewater
- [ ] Wholesale Wastewater
- [ ] Flood Control
- [ ] Irrigation
- [ ] Parks / Recreation
- [ ] Fire Protection
- [ ] Roads
- [ ] Security
- [ ] Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
- [ ] Other (Specify): ____________________

2. Retail Service Providers

a. Retail Rates for a 1" meter (or equivalent):

	Minimum Charge	Usage Levels			Flat Rate (Y/N)	Rate per 1,000 Gallons Over Minimum Usage
Water:	$ 6.82	0	to	1,000	Y	
	13.90	1,001	to	2,000	Y	
	14.32	2,001	to	3,000	Y	
	25.95	3,001	to	4,000	Y	
	30.85	4,001		5,000	Y	
	35.74	5,001	to	6,000	Y	
	35.74	6,001		12,000	N	5.32
	67.66	12,001	to	no limit	N	8.76
Wastewater:	12.23	0	to	1,000	Y	
	12.61	1,001	to	2,000	Y	
	12.91	2,001	to	3,000	Y	
	28.84	3,001	to	4,000	Y	
	34.60	4,001	to	5,000	Y	
	42.98	5,001	to	6,000	Y	
	42.98	6,001	to	no limit	N	8.38

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

Total charges per 10,000 gallons usage: Water $ 57.02 Wastewater $ 76.50

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"			x 1.0	
1"	324	320	x 2.5	800
1.5"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
Total Water	324	320		800
Total Wastewater	321	317	x 1.0	317

See accompanying auditor's report.

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

Gallons purchased from City of Houston	15,273,000	Water Accountability Ratio: (Gallons billed / Gallons purchased)
Gallons billed to customers:	15,090,000	98.80%

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

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

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

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

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

5. Location of District:

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

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

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

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

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

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

ETJs in which the District is located: ________

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

If Yes, by whom? ________

See accompanying auditor's report.

Harris County Municipal Utility District No. 537
TSI-2 General Fund Expenditures
For the Year Ended May 31, 2022

Purchased services	$ 165,539
Professional fees	
Legal	50,628
Audit	13,000
Engineering	12,950
Financial advisor	1,000
	77,578
Contracted services	
Bookkeeping	10,589
Operator	24,649
Garbage collection	60,885
Tap connection and inspection	32,665
	128,788
Repairs and maintenance	199,354
Utilities	2,397
Administrative	
Directors fees	5,700
Insurance	7,404
Other	1,836
	14,940
Other	6,411
Total expenditures	$ 595,007

See accompanying auditor's report.

Harris County Municipal Utility District No. 537
TSI-4. Taxes Levied and Receivable
May 31, 2022

	Maintenance Taxes	Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 16,912	$ 18,535	$ 4,834	$ 40,281
Adjustments to Prior Year Tax Levy	3,150	3,438	899	7,487
Adjusted Receivable	20,062	21,973	5,733	47,768
2021 Original Tax Levy	309,363	324,095	103,121	736,579
Adjustments	101,005	105,815	33,668	240,488
Adjusted Tax Levy	410,368	429,910	136,789	977,067
Total to be accounted for	430,430	451,883	142,522	1,024,835
Tax collections:				
Current year	401,825	420,960	133,942	956,727
Prior years	20,062	21,973	5,733	47,768
Total Collections	421,887	442,933	139,675	1,004,495
Taxes Receivable, End of Year	$ 8,543	$ 8,950	$ 2,847	$ 20,340
Taxes Receivable, By Years				
2021	$ 8,543	$ 8,950	$ 2,847	$ 20,340

	2021	2020	2019	2018
Property Valuations:				
Land	$ 90,168,209	$ 91,455,496	$ 84,240,115	$ 85,874,628
Improvements	106,681,081	91,032,763	59,323,602	43,090,652
Personal Property	1,170,735	789,024	865,368	350,558
Exemptions	(2,606,588)	(2,600,094)	(2,786,740)	(1,965,074)
Total Property Valuations	$ 195,413,437	$ 180,677,189	$ 141,642,345	$ 127,350,764
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.21	$ 0.21	$ 0.15	$ 0.14
Debt service tax rates	0.22	0.23	0.29	0.32
Road debt service tax rates	0.07	0.06	0.06	0.04
Total Tax Rates per $100 Valuation	$ 0.50	$ 0.50	$ 0.50	$ 0.50
Adjusted Tax Levy:	$ 977,067	$ 903,386	$ 708,212	$ 636,754
Percentage of Taxes Collected to Taxes Levied **	97.92%	100.00%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on November 13, 2014
** Maximum Park and Recreational Maintenance Tax Rate Approved by Voters: $0.10 on November 13, 2014

See accompanying auditor's report.

Harris County Municipal Utility District No. 537
TSI-5. Long-Term Debt Service Requirements
Series 2016--by Years
May 31, 2022

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2023	$ 100,000	$ 2,400	$ 102,400

See accompanying auditor's report.

Harris County Municipal Utility District No. 537
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
May 31, 2022

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2023	$ 75,000	$ 94,938	$ 169,938
2024	75,000	92,875	167,875
2025	75,000	90,625	165,625
2026	75,000	88,300	163,300
2027	100,000	85,900	185,900
2028	100,000	82,600	182,600
2029	100,000	79,200	179,200
2030	100,000	75,200	175,200
2031	100,000	71,200	171,200
2032	100,000	67,200	167,200
2033	125,000	63,200	188,200
2034	125,000	58,200	183,200
2035	125,000	53,200	178,200
2036	125,000	48,200	173,200
2037	125,000	43,200	168,200
2038	150,000	38,200	188,200
2039	150,000	32,200	182,200
2040	150,000	26,200	176,200
2041	150,000	20,200	170,200
2042	175,000	14,200	189,200
2043	180,000	7,200	187,200
	$ 2,480,000	$ 1,232,238	$ 3,712,238

See accompanying auditor's report.

Harris County Municipal Utility District No. 537
TSI-5. Long-Term Debt Service Requirements
Series 2018 Road--by Years
May 31, 2022

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2023	$ 50,000	$ 84,500	$ 134,500
2024	50,000	83,000	133,000
2025	50,000	81,500	131,500
2026	50,000	80,000	130,000
2027	75,000	78,438	153,438
2028	75,000	76,000	151,000
2029	75,000	73,468	148,468
2030	75,000	70,844	145,844
2031	75,000	68,218	143,218
2032	75,000	65,594	140,594
2033	100,000	62,876	162,876
2034	100,000	59,250	159,250
2035	100,000	55,500	155,500
2036	100,000	51,750	151,750
2037	100,000	47,876	147,876
2038	125,000	44,000	169,000
2039	125,000	39,000	164,000
2040	125,000	34,000	159,000
2041	125,000	29,000	154,000
2042	150,000	24,000	174,000
2043	150,000	18,000	168,000
2044	150,000	12,000	162,000
2045	150,000	6,000	156,000
	$ 2,250,000	$ 1,244,814	$ 3,494,814

See accompanying auditor's report.

Harris County Municipal Utility District No. 537
TSI-5. Long-Term Debt Service Requirements
Series 2020--by Years
May 31, 2022

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2023	$ 25,000	$ 57,175	$ 82,175
2024	50,000	56,175	106,175
2025	50,000	54,175	104,175
2026	50,000	52,175	102,175
2027	50,000	50,175	100,175
2028	50,000	48,675	98,675
2029	50,000	47,175	97,175
2030	75,000	46,075	121,075
2031	75,000	44,425	119,425
2032	75,000	42,775	117,775
2033	75,000	40,975	115,975
2034	75,000	39,175	114,175
2035	75,000	37,375	112,375
2036	100,000	35,500	135,500
2037	100,000	33,000	133,000
2038	100,000	30,000	130,000
2039	100,000	27,000	127,000
2040	100,000	24,000	124,000
2041	100,000	21,000	121,000
2042	100,000	18,000	118,000
2043	125,000	15,000	140,000
2044	125,000	11,250	136,250
2045	125,000	7,500	132,500
2046	125,000	3,750	128,750
	$ 1,975,000	$ 842,525	$ 2,817,525

See accompanying auditor's report.

Harris County Municipal Utility District No. 537
TSI-5. Long-Term Debt Service Requirements
Series 2021 Refunding--by Years
May 31, 2022

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2023	$ 25,000	$ 82,056	$ 107,056
2024	150,000	81,556	231,556
2025	145,000	78,557	223,557
2026	145,000	75,656	220,656
2027	145,000	72,756	217,756
2028	170,000	69,856	239,856
2029	170,000	66,457	236,457
2030	170,000	63,056	233,056
2031	165,000	59,656	224,656
2032	165,000	56,356	221,356
2033	190,000	53,057	243,057
2034	185,000	49,256	234,256
2035	185,000	45,556	230,556
2036	205,000	41,856	246,856
2037	200,000	37,500	237,500
2038	200,000	33,251	233,251
2039	220,000	28,750	248,750
2040	220,000	23,800	243,800
2041	240,000	18,575	258,575
2042	255,000	12,875	267,875
2043	260,000	6,500	266,500
	$ 3,810,000	$ 1,056,938	$ 4,866,938

See accompanying auditor's report.

Harris County Municipal Utility District No. 537
TSI-5. Long-Term Debt Service Requirements
Series 2021A--by Years
May 31, 2022

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2023	$ -	$ 77,813	$ 77,813
2024	75,000	77,813	152,813
2025	75,000	74,438	149,438
2026	75,000	71,063	146,063
2027	75,000	67,688	142,688
2028	75,000	64,688	139,688
2029	100,000	61,688	161,688
2030	100,000	57,688	157,688
2031	100,000	54,688	154,688
2032	100,000	52,688	152,688
2033	100,000	50,688	150,688
2034	100,000	48,688	148,688
2035	125,000	46,688	171,688
2036	125,000	44,188	169,188
2037	125,000	41,531	166,531
2038	125,000	38,875	163,875
2039	125,000	36,063	161,063
2040	125,000	33,250	158,250
2041	150,000	30,281	180,281
2042	150,000	26,719	176,719
2043	150,000	23,156	173,156
2044	150,000	19,594	169,594
2045	150,000	16,031	166,031
2046	175,000	12,469	187,469
2047	175,000	8,313	183,313
2048	175,000	4,156	179,156
	$ 3,000,000	$ 1,140,945	$ 4,140,945

See accompanying auditor's report.

Harris County Municipal Utility District No. 537
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
May 31, 2022

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2023	$ 275,000	$ 398,882	$ 673,882
2024	400,000	391,419	791,419
2025	395,000	379,295	774,295
2026	395,000	367,194	762,194
2027	445,000	354,957	799,957
2028	470,000	341,819	811,819
2029	495,000	327,988	822,988
2030	520,000	312,863	832,863
2031	515,000	298,187	813,187
2032	515,000	284,613	799,613
2033	590,000	270,796	860,796
2034	585,000	254,569	839,569
2035	610,000	238,319	848,319
2036	655,000	221,494	876,494
2037	650,000	203,107	853,107
2038	700,000	184,326	884,326
2039	720,000	163,013	883,013
2040	720,000	141,250	861,250
2041	765,000	119,056	884,056
2042	830,000	95,794	925,794
2043	865,000	69,856	934,856
2044	425,000	42,844	467,844
2045	425,000	29,531	454,531
2046	300,000	16,219	316,219
2047	175,000	8,313	183,313
2048	175,000	4,156	179,156
	$ 13,615,000	$ 5,519,860	$ 19,134,860

See accompanying auditor's report.

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Harris County Municipal Utility District No. 537
TSI-6. Change in Long-Term Bonded Debt
May 31, 2022

	Bond Issue			
	Series 2016	Series 2017	Series 2018 Road	Series 2020
Interest rate	2.00% - 3.75%	2.25% - 4.00%	3.00% - 4.00%	2.20% - 4.00%
Dates interest payable	10/1 - 4/1	10/1 - 4/1	10/1 - 4/1	10/1 - 4/1
Maturity dates	4/1/18 - 4/1/43	4/1/21 - 4/1/43	4/1/22 - 4/1/45	4/1/22 - 4/1/46
Beginning bonds outstanding	$ 200,000	$ 2,555,000	$ 2,300,000	$ 2,000,000
Bonds issued				
Bonds retired	(100,000)	(75,000)	(50,000)	(25,000)
Ending bonds outstanding	$ 100,000	$ 2,480,000	$ 2,250,000	$ 1,975,000
Interest paid during fiscal year	$ 4,650	$ 96,813	$ 86,000	$ 58,175

Paying agent's name and city
Series 2020 and 2021 Refunding: The Bank of New York Mellon Trust Company, N.A., Dallas, TX
All other Series: ZB, National Association, dba Amegy Bank, Houston, Texas

Bond Authority:	Water, Sewer and Drainage Bonds	Water, Sewer and Drainage Refunding Bonds	Parks and Recreational Bonds	Parks and Recreational Refunding Bonds
Amount Authorized by Voters	$ 38,000,000	$ 57,000,000	$ 12,000,000	$ 18,000,000
Amount Issued	(11,850,000)	(3,830,000)		
Remaining To Be Issued	$ 26,150,000	$ 53,170,000	$ 12,000,000	$ 18,000,000

Bond Authority:	Road Improvement Bonds	Road Refunding Bonds
Amount Authorized by Voters	$ 7,500,000	$ 11,250,000
Amount Issued	(2,300,000)	
Remaining To Be Issued	$ 5,200,000	$ 11,250,000

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

Debt Service Fund cash and investment balances as of May 31, 2022: $ 452,041

Average annual debt service payment (principal and interest) for remaining term of all debt: $ 735,956

See accompanying auditor's report.

Bond Issue		
Series 2021 Refunding	Series 2021A	Totals
2.00% - 2.50%	2.00% - 4.50%	
10/1 - 4/1	10/1 - 4/1	
4/1/22 - 4/1/43	4/1/24 - 4/1/48	
$ 3,830,000	$ -	$ 10,885,000
	3,000,000	3,000,000
(20,000)		(270,000)
$ 3,810,000	$ 3,000,000	$ 13,615,000
$ 82,456	$ 58,359	$ 386,453

Harris County Municipal Utility District No. 537
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2022	2021	2020	2019	2018
Revenues					
Water service	$ 88,693	$ 74,752	$ 64,222	$ 53,119	$ 28,683
Sewer service	108,888	93,709	84,493	66,262	42,067
Property taxes	427,507	356,363	220,650	168,258	127,262
Penalties and interest	4,013	3,110	3,578	3,228	2,466
Tap connection and inspection	133,000	78,000	73,133	53,061	84,000
Miscellaneous	8,905	6,134	7,966	12,368	1,353
Total Revenues	771,006	612,068	454,042	356,296	285,831
Expenditures					
Current service operations					
Purchased services	165,539	124,905	98,654	107,774	57,563
Professional fees	77,578	79,751	90,192	90,968	107,287
Contracted services	128,788	86,034	67,301	50,205	53,022
Repairs and maintenance	199,354	105,684	70,296	62,536	58,805
Utilities	2,397	2,295	2,481	2,605	2,429
Administrative	14,940	15,776	13,626	10,943	12,578
Other	6,411	9,435	3,314	6,379	7,766
Capital outlay			25,045		
Total Expenditures	595,007	423,880	370,909	331,410	299,450
Revenues Over/(Under) Expenditures	$ 175,999	$ 188,188	$ 83,133	$ 24,886	$ (13,619)
Total Active Retail Water Connections	320	264	210	156	133
Total Active Retail Wastewater Connections	317	264	210	156	133

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2022	2021	2020	2019	2018
12%	12%	13%	15%	10%
14%	15%	19%	19%	15%
55%	58%	49%	47%	45%
1%	1%	1%	1%	1%
17%	13%	16%	15%	29%
1%	1%	2%	3%	*
100%	100%	100%	100%	100%
21%	20%	22%	30%	20%
10%	13%	20%	26%	38%
17%	14%	15%	14%	19%
26%	17%	15%	18%	21%
*	*	1%	1%	1%
2%	3%	3%	3%	4%
1%	2%	1%	2%	3%
		6%		
77%	69%	83%	94%	106%
23%	31%	17%	6%	(6%)

Harris County Municipal Utility District No. 537
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2022	2021	2020	2019	2018
Revenues					
Property taxes	$ 582,606	$ 502,375	$ 517,419	$ 431,826	$ 228,710
Penalties and interest	19,766	5,203	10,090	5,611	2,600
Miscellaneous	1,478	1,579	5,214	4,482	1,569
Total Revenues	603,850	509,157	532,723	441,919	232,879
Expenditures					
Tax collection services	27,358	22,528	20,846	13,361	14,808
Debt service					
Principal	270,000	175,000	100,000	100,000	100,000
Interest and fees	376,670	377,771	318,224	296,044	165,969
Debt Issuance costs		207,399			
Total Expenditures	674,028	782,698	439,070	409,405	280,777
Revenues Over/(Under) Expenditures	$ (70,178)	$ (273,541)	$ 93,653	$ 32,514	$ (47,898)

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2022	2021	2020	2019	2018
97%	99%	97%	98%	98%
3%	1%	2%	1%	1%
*	*	1%	1%	1%
100%	100%	100%	100%	100%
5%	4%	4%	3%	6%
45%	34%	19%	23%	43%
62%	74%	60%	67%	71%
112%	112%	83%	93%	120%
(12%)	(12%)	17%	7%	(20%)

Harris County Municipal Utility District No. 537
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended May 31, 2022

Complete District Mailing Address: 1980 Post Oak Blvd, Suite 1380 Houston, TX 77056-3970

District Business Telephone Number: (713) 850-9000

Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054): June 10, 2020

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

(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Allen Watson	05/18 - 05/22	$ 1,350	$ -	President
Vineeta Ram	05/20 - 06/22	900		Vice President
Tony Sartori	10/20 - 05/22	1,200		Secretary
Beatriz Armendarez	05/20 - 05/24	1,200		Assistant Secretary
James Balock	06/21 - 05/22	1,050		Assistant Secretary
Consultants		Amounts Paid		
Sanford Kuhl Hagan Kugle Parker Kahn LLP	07/2014			Attorney
General legal fees		$ 54,790		
Bond counsel		86,625		
Texas Operations and Professional Services	04/2018	155,952		Operator
L&S District Services	06/2014	12,042		Bookkeeper
Bob Leared Interests	08/2014	10,327		Tax Collector
Harris County Appraisal District	Legislation	7,929		Property Valuation
Brown & Gay Engineers, Inc.	07/2014	49,927		Engineer
Norton Rose Fulbright		7,500		Bond Counsel
McGrath & Co., PLLC	06/2015	21,250		Auditor
The GMS Group, L.L.C.	08/2014	62,785		Financial Advisor

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

See accompanying auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

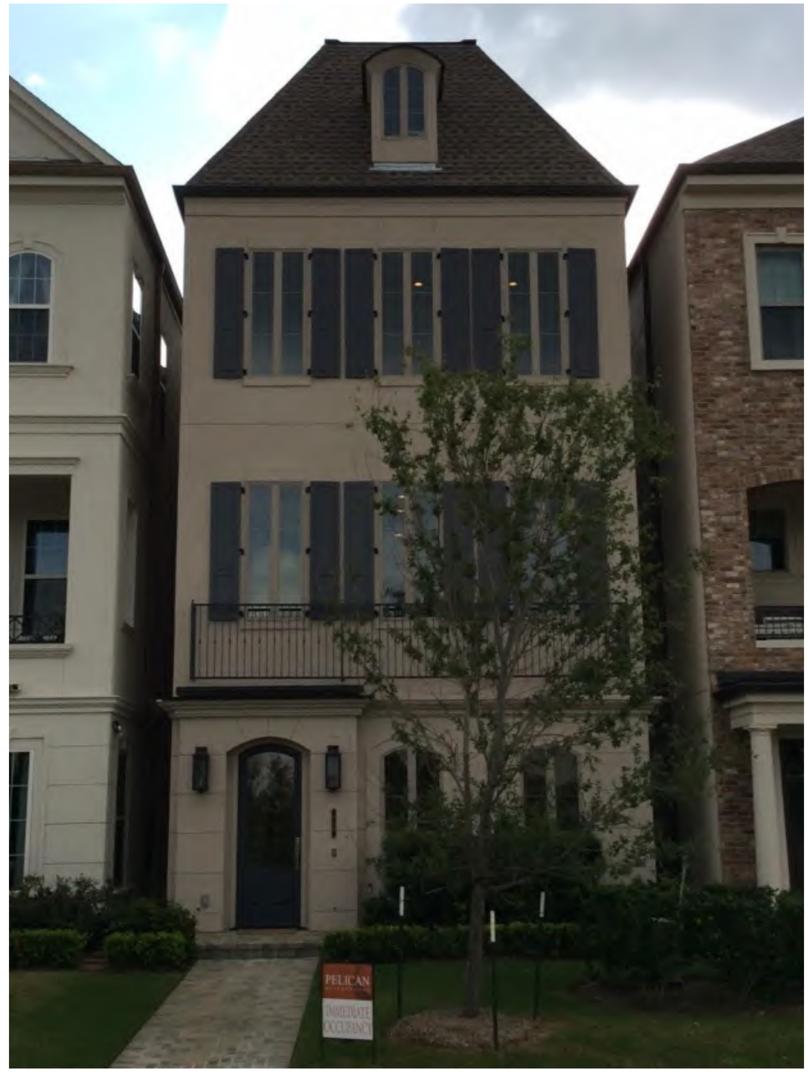
Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

APPENDIX C

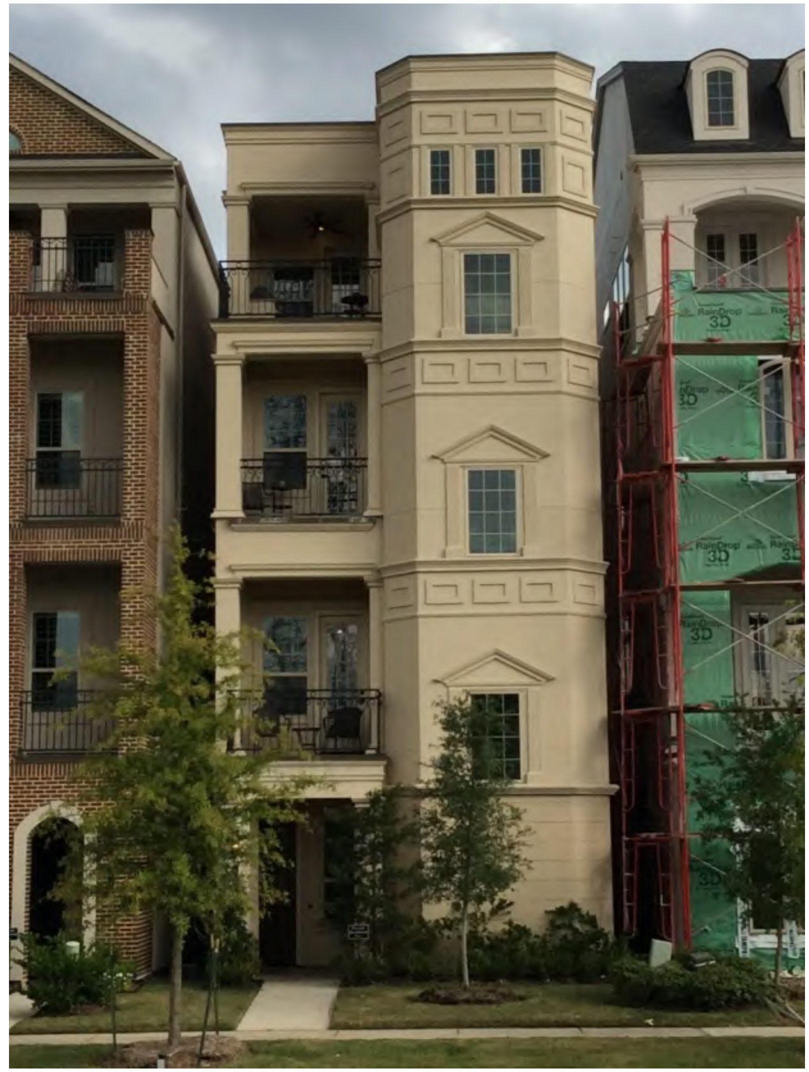
PHOTOGRAPHS TAKEN IN THE DISTRICT


SOMERSET GREEN





PELICAN
IMMEDIATE OCCUPANCY


MOVE IN TODAY!


RainDrop
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