OFFICIAL STATEMENT DATED FEBRUARY 13, 2023

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

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE - Book-Entry-Only

Insured Rating (BAM): S&P "AA" (stable)
Underlying Rating: Moody's "A1"
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

$3,940,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX PARK BONDS, SERIES 2023

Dated: March 1, 2023 **Due: September 1, as shown below**
Interest Accrual Date: Date of Delivery

Principal of the bonds described above (the "Bonds") will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar", "Paying Agent" or "Registrar") in Dallas, Texas. Interest on the Bonds will accrue from the date of initial delivery (expected to be March 10, 2023) (the "Date of Delivery") and be payable on September 1, 2023 and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued only in fully registered form in $5,000 denominations or integral multiples thereof. The Bonds are subject to redemption prior to maturity as shown below.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See "MUNICIPAL BOND INSURANCE" herein.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (September 1)	Principal Amount		Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (September 1)	Principal Amount		Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2028	$ 115,000		4.25%	3.00%	414972 VU0	2033	$ 575,000	(c)	3.00%	3.35%	414972 VY2
2029	350,000		4.25	3.05	414972 VV8	2034	750,000	(c)	3.25	3.50	414972 VZ9
2030	***		***	***	***	2035	750,000	(c)	3.50	3.60	414972 WA3
2031	300,000	(c)	3.00	3.15	414972 VW6	2036	750,000	(c)	3.50	3.70	414972 WB1
2032	350,000	(c)	3.00	3.25	414972 VX4						

(a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser (as herein defined) for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date.
(b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
(c) Bonds maturing on and after September 1, 2031, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2029, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of Harris County Municipal Utility District No. 71 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. 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. The Bonds are subject to special investment risks described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about March 10, 2023.

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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 representation must not be relied upon as having been authorized by the District.

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

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

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

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT—Updating the 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 "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement.

THE BONDS

The Issuer.. Harris County Municipal Utility District No. 71 (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."

The Issue .... $3,940,000 Unlimited Tax Park Bonds, Series 2023 (the "Bonds") are issued pursuant to a resolution (the "Bond Resolution") of the District's Board of Directors and are authorized pursuant to an election held within the District on November 8, 2005. See "THE BONDS—Authority for Issuance." The Bonds will be issued as fully registered bonds maturing in the years and in the amounts and paying interest at the rates shown on the cover hereof. Interest on the Bonds accrues from the Date of Delivery and is payable on September 1, 2023, and on each March 1 and September 1 thereafter until the earlier of maturity or prior redemption. See "THE BONDS."

Redemption .... The Bonds maturing on and after September 1, 2031, are subject to redemption, in whole or in part, at the option of the District, prior to their maturity dates, on September 1, 2029, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See "THE BONDS."

Source of and Security for Payment.................................... The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "TAXING PROCEDURES." The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any other political subdivision or agency other than the District. See "THE BONDS—Source of and Security for Payment."

Payment Record............................. The District has heretofore issued $67,960,000 principal amount of unlimited tax bonds to finance water, wastewater and storm drainage facilities and $56,605,000 principal amount of unlimited tax refunding bonds. As of January 1, 2023, the District has an aggregate of $35,660,000 principal amount of unlimited tax bonds outstanding (the "Outstanding Bonds"). The District has never defaulted in the payment of principal and interest on any bonds issued by the District.

Use of Proceeds .... Proceeds from the Bonds will be used to pay for items shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS." Bond proceeds also will be used to pay certain costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

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

Municipal Bond Rating and Municipal Bond Insurance .... S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "A1" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."

Authority for Issuance..................... At the District's bond election held on November 8, 2005, the voters of the District authorized the issuance of a total of $6,630,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring parks and recreational facilities. The Bonds are being issued pursuant to such election and for the purposes described in “USE AND DISTRIBUTION OF BOND PROCEEDS” in accordance with an order of the TCEQ approving a sale of Bonds in the principal amount of $3,940,000. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution, an order of the TCEQ, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance,” “—Issuance of Additional Debt” and ”INVESTMENT CONSIDERATIONS—Future Debt.”

Book-Entry-Only System................. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds, of each series will be issued as fully-registered Bonds 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. With respect to each series of the Bonds, one fully-registered Bond certificate will be issued of each such series for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”

Bond Counsel.................................. Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See “MANAGEMENT OF THE DISTRICT,” “LEGAL MATTERS,” and “TAX MATTERS.”

Financial Advisor............................ Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT.”

District Engineer............................. BGE, Inc., Houston, Texas.

Disclosure Counsel......................... McCall, Parkhurst & Horton L.L.P., Houston, Texas.

THE DISTRICT

Description...................................... Harris County Municipal Utility District No. 71 (the “District”) is a political subdivision of the State of Texas, created by the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (the “TCEQ”) on December 13, 1977, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 1,331 acres of land. See “THE DISTRICT” and “AERIAL PHOTOGRAPH.”

Location .... The District is located approximately 25 miles west of the central downtown business district of the City of Houston, Texas in Harris County. The District lies wholly within the exclusive extraterritorial jurisdiction of the City of Houston and within the boundaries of the Katy Independent School District. Access to the District is provided by Interstate Highway 10 west to Mason Road, a major thoroughfare into the District, or via Clay Road exit, east from State Highway 99 (the “Grand Parkway”). See “THE DISTRICT.”

Status of Development..................... Development of the District began in 1978. Development within the District consists of and the District is currently providing water supply and distribution, wastewater collection and treatment and storm drainage facilities to approximately 893 acres developed into 4,323 single-family residential lots of Westland Creek Village, Section One, Lakes of Bridgewater, Sections One through Ten, Bridgewater Pointe, Sections One through Three, Bridgewater Village, Section One, Enclave at Bridgewater, Sections One and Two, Mason Lakes, Sections One through Three, Morton Ranch, Sections One through Four, Bridgewater Meadow, Sections One through Four, The Lakes at Mason Park, Sections One through Six, Bridgewater Place, Sections One and Two, and Vineyard Meadow, Sections One through Nine. As of November 1, 2022, there were 4,323 completed homes, of which 4,286 were occupied. For tax year 2022 average home values in the District ranged from $220,000 to $293,000.

Evergreen Cottages, an assisted living facility, has been constructed on approximately 1 acre and approximately 97 acres of commercial reserves have been served with water and sewer trunk facilities, upon which four gas stations with convenience stores, four small strip centers, two child care centers, a Family Dollar store, a Wendy's, a Pizza Hut, a Popeye's, an auto parts store, a medical plaza, a dog grooming facility, farm store, a Tim Horton's and various warehouses are located. In addition, the Katy Independent School District has constructed an elementary school and a middle school and the District has constructed an administration and a maintenance building on approximately 32 acres, three churches have been constructed on approximately 14 acres, a Harris County park has been constructed on approximately 6 acres, all of which are exempt from ad valorem taxation. Approximately 40 developable acres have not yet been provided with water distribution, wastewater collection and storm drainage facilities and approximately 248 acres are not developable (street right of way, recreation sites, easements and plant sites). See "THE DISTRICT."

Hurricane Harvey........................... The greater Houston area is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days and Tropical Storm Imelda in September 2019.

According to BGE, Inc. (the "Engineer"), the District had one waterline support structure fail due to Hurricane Harvey. The structural failure did not cause an interruption of water service and has since been repaired. According to Regional Water Corporation, the District's Operator (the "Operator"), approximately 25 homes flooded during Hurricane Harvey in Bridgewater Village, Section One and Enclave at Bridgewater, Section One.

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

Infectious Disease Outlook (COVID-19)............................... The purchase and ownership of the Bonds are subject to certain investment considerations, including certain factors related to the current COVID-19 pandemic. See "INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)."

INVESTMENT CONSIDERATIONS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY P ARTICULARLY THE SECTION CAPTIONED "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2022 Taxable Assessed Valuation	$1,084,651,861	(a)
Estimated Taxable Assessed Valuation as of November 1, 2022	$1,090,055,765	(b)
Gross Debt Outstanding (after the issuance of the Bonds)	$39,600,000	
Estimated Overlapping Debt	47,857,858	(c)
Gross Debt and Estimated Overlapping Debt	$87,457,858	(c)
Ratios of Gross Debt to:		
2022 Taxable Assessed Valuation	3.65%	
Estimated Taxable Assessed Valuation as of November 1, 2022	3.63%	
Ratios of Gross Debt and Estimated Overlapping Debt to:		
2022 Taxable Assessed Valuation	8.06%	
Estimated Taxable Assessed Valuation as of November 1, 2022	8.02%	
Debt Service Fund Balance as of January 9, 2023	$2,918,599	(d)
General Operating Fund Balance as of January 9, 2023	$18,031,352	(e)
2022 Tax Rate:		
Debt Service	$0.385	
Maintenance and Operations	0.385	
Total	$0.770/$100 A.V.	
Maximum Annual Debt Service Requirements (2023) of the Outstanding Bonds and the Bonds ("Maximum Annual Requirement")	$4,430,190	(f)
Average Annual Debt Service Requirements (2023-2036) of the Outstanding Bonds and the Bonds ("Average Annual Requirement")	$3,491,569	(f)
Tax rate required to pay Maximum Annual Requirement based upon:		
2022 Taxable Assessed Valuation at a 95% collection rate	$0.43/$100 A.V.	(g)
Estimated Taxable Assessed Valuation as of November 1, 2022 at a 95% collection rate	$0.43/$100 A.V.	(g)
Tax rate required to pay Average Annual Requirement based upon:		
2022 Taxable Assessed Valuation at a 95% collection rate	$0.34/$100 A.V.	(g)
Estimated Taxable Assessed Valuation as of November 1, 2022 at a 95% collection rate	$0.34/$100 A.V.	(g)
Water Connections as of November 1, 2022 (h):		
Completed Homes (4,286 Occupied)	4,323	
Commercial	30	

Estimated 2022 population — 15,001 (i)

(a) The Harris County Appraisal District (the "Appraisal District") has certified $1,080,024,422 of value as of January 1, 2022. According to the Appraisal District, estimated final value with hearing loss of the properties remaining uncertified totals $4,627,439. The above total represents the certified value plus the estimated final value with hearing loss of the uncertified value. See "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable appraised value within the District on November 1, 2022. No tax will be levied on such amount. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. See "TAXING PROCEDURES."

(c) See "ESTIMATED OVERLAPPING DEBT STATEMENT."

(d) Neither the Bond Resolution nor Texas law requires that the District maintain any particular balance in the Debt Service Fund.

(e) See "WATER AND SEWER OPERATIONS" and "APPENDIX A" for detailed information on the operations of the District. The District intends to expend a portion of the general fund balance to finance construction of improvements to District facilities.

(f) See "DEBT SERVICE REQUIREMENTS."

(g) See "TAX DATA—Tax Adequacy for Debt Service."

(h) See "THE DISTRICT—Status of Development."

(i) Estimate based on 3.5 persons per occupied single-family connection.

OFFICIAL STATEMENT

$3,940,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
(A political subdivision of the State of Texas located within Harris County)

UNLIMITED TAX PARK BONDS
SERIES 2023

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 71 (the "District") of its $3,940,000 Unlimited Tax Park Bonds, Series 2023 (the "Bonds").

The Bonds are issued pursuant to an election held within the District, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), and an order of the Texas Commission on Environmental Quality (the "TCEQ").

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, the Developers, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District upon payment of the costs of duplication therefor.

THE BONDS

General

Following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution of the Board authorizing the issuance and sale of the Bonds. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated March 1, 2023, with interest accruing from the Date of Delivery, and are payable on each September 1 and March 1 commencing September 1, 2023, until the earlier of maturity or prior redemption. The Bonds mature on September 1 in the amounts and years and accrue interest at the rates shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months. The Bonds will be issued only in fully registered form in $5,000 denominations or integral multiples thereof.

Authority for Issuance

At the District's bond election held on November 8, 2005 the voters of the District authorized the issuance of a total of $6,630,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring park and recreational facilities. The Bonds are being issued pursuant to such election and for the purposes described in "USE AND DISTRIBUTION OF BOND PROCEEDS" in accordance with an order of the TCEQ approving a sale of Bonds in the principal amount of $3,940,000.

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution, an order of the TCEQ, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

Source of and Security for Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Resolution to levy a continuing, direct, annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

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

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company NA, Dallas, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the “Record Date”), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the “Register”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

Funds

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

Proceeds from sale of the Bonds shall be deposited into the Park Capital Projects Fund, to pay the costs of acquiring or constructing District recreational facilities and for paying the costs of issuing the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS” for a more complete description of the use of Bond proceeds.

No Arbitrage

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2031, prior to their scheduled maturities, in whole or in part, in integral multiples of $5,000, on September 1, 2029, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if fewer than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See "BOOK-ENTRY-ONLY SYSTEM."

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding. Registered owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of $80,020,000 principal amount of unlimited tax bonds for the purpose of constructing the water, wastewater and storm drainage facilities (the "System") and refunding purposes, $27,300,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District, and $6,630,000 principal amount of unlimited tax bonds for the purpose of developing parks and recreational facilities have been authorized by the District's voters. After the issuance of the Bonds, the District will have $2,690,000 principal amount of unlimited tax park bonds authorized but unissued, $10,324,230.40 principal amount of unlimited tax bonds for the purpose of constructing the System and refunding purposes authorized but unissued, and $26,165,000 principal amount of unlimited tax refunding bonds authorized but unissued. Voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The principal amount of bonds sold by the District to construct park and recreational facilities is limited to one percent (1%) of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District.

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

The issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "INVESTMENT CONSIDERATIONS—Future Debt."

The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. Issuance of additional bonds could dilute the investment security for the Bonds.

Annexation by the City of Houston

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

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

Strategic Partnership Agreement

The District entered into a Strategic Partnership Agreement (the "SPA") with the City of Houston (the "City") pursuant to Chapter 43 of the Texas Local Government Code effective December 12, 2008. The SPA provides for a "limited purpose annexation" of that portion of the District developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances and to impose a sales tax (but no property tax) within that portion of the District. Residential development within the District is not subject to the limited purpose annexation. The SPA provides the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist if the land within the District were to be annexed for full or limited purposes by the City. The SPA also provides that the City will not annex the District for "full purposes" (a traditional municipal annexation) for at least thirty (30) years from the date of entering into the SPA. For the fiscal year period ended March 31, 2022, the District received approximately $69,708 in sales tax revenue payment from the SPA, which has been deposited in the District's operating account. See "THE DISTRICT—Strategic Partnership Agreement."

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.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution 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. In the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct 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, of each series will be issued as fully-registered Bonds 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. With respect to each series of the Bonds, one fully-registered Bond certificate will be issued of each such series for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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 detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Initial Purchaser take any responsibility for the accuracy thereof.

THE DISTRICT

General

The District is a political subdivision of the State of Texas, created by the Texas Water Commission (predecessor to the TCEQ) on December 13, 1977, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 1,331 acres of land.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. Additionally, the District may, subject to the granting of road powers by the TCEQ and certain limitations, develop and finance roads.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent for creation of the District from the City of Houston, within whose extraterritorial jurisdiction the District lies, the District is required to observe certain requirements of the City of Houston which (1) limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage, road, fire-fighting and park facilities, (2) require approval by the City of Houston of District construction plans, and (3) permit connections only to single-family lots and commercial or multi-family/commercial platted reserves which have been approved by the Planning Commission of the City of Houston. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM—Regulation."

Location

The District is located approximately 25 miles west of the central downtown business district of the City of Houston in Harris County. The District lies wholly within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Katy Independent School District. Access to the District is provided by Interstate Highway 10 to Mason Road, a major thoroughfare into the District, or via Clay Road exit, east from the Grand Parkway.

Status of Development

Development of the District began in 1978. Development within the District consists of and the District is currently providing water supply and distribution, wastewater collection and treatment and storm drainage facilities to approximately 893 acres developed into 4,323 single-family residential lots of Westland Creek Village, Section One, Lakes of Bridgewater, Sections One through Ten, Bridgewater Pointe, Sections One through Three, Bridgewater Village, Section One, Enclave at Bridgewater, Sections One and Two, Mason Lakes, Sections One through Three, Morton Ranch, Sections One through Four, Bridgewater Meadow, Sections One through Four, The Lakes at Mason Park, Sections One through Six, Bridgewater Place, Sections One and Two, and Vineyard Meadow, Sections One through Nine. As of November 1, 2022, there were 4,323 completed homes, of which 4,286 were occupied. For tax year 2022 average home values in the District ranged from $220,000 to $293,000.

Evergreen Cottages, an assisted living facility, has been constructed on approximately 1 acre and approximately 97 acres of commercial reserves have been served with water and sewer trunk facilities, upon which four gas stations with convenience stores, four small strip centers, two child care centers, a Family Dollar store, a Wendy's, a Pizza Hut, a Popeye's, an auto parts store, a medical plaza, a dog grooming facility, farm store, a Tim Horton's and various warehouses are located. In addition, the Katy Independent School District has constructed an elementary school and a middle school, and the District has constructed an administration and a maintenance building on approximately 32 acres, three churches have been constructed on approximately 14 acres, a Harris County park has been constructed on approximately 6 acres, all of which are exempt from ad valorem taxation. Approximately 40 developable acres have not yet been provided with water distribution, wastewater collection and storm drainage facilities and approximately 248 acres are not developable (street right of way, recreation sites, easements and plant sites). See "THE DISTRICT."

Strategic Partnership Agreement

Effective December 12, 2008, the District entered into a Strategic Partnership Agreement (the "SPA") with the City of Houston (the "City") pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" of that portion of the District developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances and to impose a sales tax (but no property tax) within that portion of the District. Residential development within the District is not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" for at least thirty (30) years from the date of entering into the SPA. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater, and drainage facilities must be assumed by the City to the maximum extent permitted by Commission rules.

Upon execution of the SPA, the City imposed the one percent (1%) retail City Sales Tax within the portion of the District included in the limited purpose annexation. The City pays to the District an amount equal to one-half of all retail sales tax revenues generated within such area of the District and received by the City from the Comptroller (herein defined as the "Contract Sales Tax Revenue"). Pursuant to State law, the District is authorized to use the Contract Sales Tax Revenue generated under the SPA for any lawful purpose. The District received approximately $69,708 in sales tax revenue for the fiscal year period ended March 31, 2022. None of the anticipated Contract Sales Tax Revenue is pledged toward the payment of principal of and interest on the Bonds.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. Each current Director owns land and/or resides in the District. Directors are elected by the voters within the District for four-year staggered terms. Directors elections are held only in even numbered years. The Directors and Officers of the District are listed below:

Name	Title	Term Expires
Pam Kerr	President	May 2024
Jennifer L. Elms	Vice President	May 2024
Mary DuBois	Secretary	May 2026
José Ruiz	Assistant Vice President	May 2026
Katrina Thornhill	Assistant Secretary	May 2024

While the District does not employ any full-time employees, it has contracted for certain services as follows:

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by Harris County Appraisal District. The District's contracts with Tax Tech, Inc. to serve as Tax Assessor/Collector.

Bookkeeper

The District has engaged Myrtle Cruz, Inc. to serve as the District's bookkeeper.

System Operator

The District contracts with Regional Water Corporation for maintenance and operation of the District's System.

Engineer

The consulting engineer for the District in connection with the design and construction of the District's facilities is BGE, Inc. (the "Engineer").

Attorney

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

Financial Advisor

Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fees to be paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Disclosure Counsel

The District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas as disclosure counsel. The fees paid to disclosure counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's financial statements for the fiscal year ending March 31, 2022 were audited by the independent account firm of McCall Gibson Swedlund Barfoot, PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the audited financial statement of the District as of March 31, 2022.

PARK SYSTEM

Recreational facilities within the District and maintained by the District are centered around the park area of Bundy Lake, which features a large lake, a walking trail, a pavilion, and decorative fountains. a park including a water splash pad, and walking trails adjacent to the District administration building. Additional recreational facilities within and maintained by the District include additional lakes, which also serve as detention ponds. There are recreational areas located within the District including two pool facilities, tennis courts, a club house, which are operated and maintained by various homeowner associations. In addition, Harris County has constructed and operates and maintains a 6-acre park and trails within the District. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

THE SYSTEM

Regulation

Construction and operation of the District's water, wastewater and storm drainage system as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Withdrawal of ground water and the issuance of water well permits is subject to the regulatory authority of Harris-Galveston Coastal Subsidence District. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District. Harris County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the District's system.

Water, Sanitary Sewer and Drainage Facilities

Source of Water Supply: Water supply for the District is provided currently by three water plants. Water Plant No.1 consists of a remote 1,200 gallon per minute ("gpm") water well, a 20,000 gallon pressure tank, a 338,000 gallon ground storage tank, 3,000 gpm booster pump capacity and all other necessary facilities. Water Plant No. 2 consists of a 1,400 gpm water well, four 20,000 gallon pressure tanks, 800,000 gallons of ground storage tank capacity, 8,000 gpm booster pump capacity and all other necessary facilities. A 1,200 gpm remote water well located in the Mason Lakes subdivision also serves Water Plant No. 2. Water Plant No. 3 consists of a 1,100 gpm water well, 30,000 gallons of pressure tank capacity, 540,000 gallons of ground storage tank capacity, 2,250 booster pump capacity and all other necessary facilities. The District's current water supply serves the District and an adjacent District, Harris County Municipal Utility District No. 287 ("MUD 287"). The facilities adequately serve 8,750 equivalent single-family connections ("ESFCs"). Such total capacity is currently serving approximately 4,559 ESFCs in the District and 2,067 connections in MUD 287.

Subsidence and Conversion to Surface Water Supply: The District is within the boundaries of the Harris Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. In 2001, the Texas legislature created the West Harris County Regional Water Authority ("Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County and a small portion of Fort Bend County. The District is not located within the boundaries of the Authority, but participates in the Authority's GRP as a contract member. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District's groundwater well(s) are included within the Authority's GRP.

The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in the Authority's GRP. The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees to be paid by the District for groundwater pumped by the District or for surface water received by the District from the Authority), user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the District and the amount of surface water, if any, received by the District from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2035 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

Source of Wastewater Treatment: The District owns a 1,350,000 gpd wastewater treatment plant which is capable of serving 5,400 ESFCs. The District has entered into a contract with MUD 287 for the provision of 351 ESFCs for wastewater treatment capacity and the remaining 5,049 ESFCs are available for District use. Currently, the District is serving a total of approximately 4,559 ESFCs within the District and approximately 351 ESFCs within MUD 287.

100-Year Flood Plain: "Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes and other improvements must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes and other improvements built in such area will not be flooded. The District's drainage system has been designed and constructed to all then current standards.

According to the District's Engineer, approximately 160 developed acres within the District are included in the 500-year flood plain. No land within the District lies within the 100-year flood plain. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events."

Atlas 14: In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based upon the Atlas 14 study, which is based upon a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties within the District. 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 AND DISTRIBUTION OF BOND PROCEEDS

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, $3,550,210 is estimated for construction costs, and $389,790 is estimated for non-construction costs.

CONSTRUCTION COSTS	
Woodring Park Improvements……………………………………	$ 2,566,760
Mirror Lake and Morton Ranch Lake Trails………………………	272,728
Bundy Lake Improvements………………………………………	100,000
Contingencies……………………………………………………	165,611
Engineering and Landscape Architect Fees………………………	406,511
Special Reports, Park Plan Update and Woodring Park Plat…….	38,600
Total Construction Costs	**$ 3,550,210**
NON-CONSTRUCTION COSTS	
Legal Fees………………………………………………………	$ 106,150
Financial Advisory Fees…………………………………………	76,450
Bond Discount (a)………………………………………………	113,597
Bond Issuance Expenses………………………………………	40,200
Bond Application Report………………………………………	35,000
TCEQ Fee (0.25%)………………………………………………	9,850
Attorney General Fee……………………………………………	3,940
Contingency (a)…………………………………………………	4,603
Total Non-Construction Costs	**$ 389,790**
TOTAL BOND ISSUE	**$ 3,940,000**

(a) In its order authorizing the issuance of the Bonds, the TCEQ approved a maximum Bond discount of 3.0%. Contingency represents the surplus funds resulting from the sale of the Bonds at a lower Bond discount than estimated and can be used for purposes allowed and approved by the TCEQ.

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

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2022 Taxable Assessed Valuation	$1,084,651,861	(a)
Estimated Taxable Assessed Valuation as of November 1, 2022	$1,090,055,765	(b)
Gross Debt Outstanding (after the issuance of the Bonds)..........	$39,600,000	
Estimated Overlapping Debt..........	47,857,858	(c)
Gross Direct Debt and Estimated Overlapping Debt	$87,457,858	
Ratio of Gross Direct Debt to:		
2022 Taxable Assessed Valuation	3.65%	
2022 Estimated Taxable Assessed Valuation as of November 1, 2022	3.63%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2022 Taxable Assessed Valuation	8.06%	
2022 Estimated Taxable Assessed Valuation as of November 1, 2022	8.02%	
Debt Service Fund Balance as of January 9, 2023	$2,918,599	(d)
General Operating Fund Balance as of January 9, 2023	$18,031,352	(e)

(a) The Harris County Appraisal District (the "Appraisal District") has certified $1,080,024,422 of value as of January 1, 2022. According to the Appraisal District, estimated final value with hearing loss of the properties remaining uncertified totals $4,627,439. The above total represents the certified value plus the estimated final value with hearing loss of the uncertified value. See "TAXING PROCEDURES."
(b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable appraised value within the District on November 1, 2022. No tax will be levied on such amount. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. See "TAXING PROCEDURES."
(c) See "ESTIMATED OVERLAPPING DEBT STATEMENT."
(d) Neither the Bond Resolution nor Texas law requires that the District maintain any particular balance in the Debt Service Fund.
(e) See "WATER AND SEWER OPERATIONS" and "APPENDIX A" for detailed information on the operations of the District. The District intends to expend a portion of the general fund balance to finance construction of improvements to District facilities.

Investments of the District

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

Outstanding Bonds (as of January 1, 2023)

Series	Original Principal Amount	Outstanding Bonds (as of 1/1/2023)
2012A (a)	$ 5,465,000	$ 310,000
2014	5,300,000	4,900,000
2015 (a)	6,865,000	5,355,000
2015A	812,000	5,495,000
2016 (a)	15,330,000	12,535,000
2020 (a)	7,505,000	7,065,000
Total	$ 41,277,000	$ 35,660,000

(a) Unlimited tax refunding bonds.

ESTIMATED OVERLAPPING DEBT STATEMENT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of the overlapping Tax Debt of the District.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Harris County…………………………………………	$ 1,770,442,125	12/31/2022	0.19%	$ 3,363,840
Harris County Flood Control District………………	797,615,000	12/31/2022	0.19%	1,515,469
Harris County Department of Education……………	20,185,000	12/31/2022	0.19%	38,352
Harris County Department of Education……………	76,385,000	12/31/2022	0.19%	145,132
Port of Houston Authority……………………………	445,749,397	12/31/2022	0.19%	846,924
Katy Independent School District…………………	2,140,211,367	12/31/2022	1.96%	41,948,143
Total Estimated Overlapping Debt…………………				$ 47,857,858
The District……………………………………………	39,600,000 (a)	Current	100.00%	39,600,000
Total Direct and Estimated Overlapping Debt……..				$ 87,457,858

Ratios of Gross Debt and Estimated Overlapping Debt to:
2022 Taxable Assessed Valuation...8.06%
Estimated Taxable Assessed Valuation as of November 1, 2022...8.02%

(a) Includes the Outstanding Bonds and the Bonds.

Overlapping Tax Rates for 2022

	2022 Tax Rate per $100 of Taxable Assessed Valuation
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority)………………………	$ 0.535121
Katy Independent School District……………………………………………	1.351700
Harris County ESD No. 48 (a)………………………………………………	0.086911
Total Overlapping Tax Rate………………………………………………	$ 1.97373
The District…………………………………………………………………	0.77000
Total Tax Rate………………………………………………………………	$ 2.74373

(a) A portion of the District that is north of Clay Road is within Harris County ESD No. 9, which set its 2022 tax rate at $0.049984 per $100 of taxable assessed valuation, creating a total tax rate for taxpayers in this area of $2.706803 per $100 of taxable assessed valuation.

TAX DATA

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or 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. The District levied a debt service tax for 2022 in the amount of $0.385 per $100 of taxable assessed valuation.

Maintenance and Operations Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On August 13, 1994, the District's voters authorized the Board to levy such a maintenance tax in an amount not to exceed $0.60 per $100 of taxable assessed valuation. The District levied a maintenance tax for 2022 at the rate of $0.385 per $100 of taxable assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonded indebtedness.

Tax Exemptions

As discussed in the section titled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. For tax year 2022, the District did not exempt any percentage of the market value of any residential homesteads from taxation, except $20,000 of the appraised value of resident homesteads for persons who are disabled or over 65 years of age. Public school facilities, the churches located in the District, District buildings and land bought by the District also are exempt from ad valorem taxation.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established 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 Property Tax Code.

Historical Tax Rate Distribution

	2022	2021	2020	2019	2018
Debt Service	$ 0.385	$ 0.425	$ 0.460	$ 0.480	$ 0.530
Maintenance and Operations	0.385	0.365	0.330	0.310	0.260
Total	$ 0.770	$ 0.790	$ 0.790	$ 0.790	$ 0.790

Historical Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to these records for further and more complete information.

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of December 31, 2022 (a) Amount	Percent
2017	$ 723,156,555	$ 0.80	$ 5,785,253	$ 5,778,177	99.88%
2018	749,047,096	0.79	5,917,524	5,911,225	99.89%
2019	820,186,888	0.79	6,479,539	6,470,387	99.86%
2020	864,795,018	0.79	6,831,644	6,815,861	99.77%
2021	934,483,511	0.79	7,382,807	7,334,316	99.34%
2022	1,080,024,422	0.77	8,316,188	(b)	(b)

(a) Unaudited.
(b) In the process of collection. 2022 taxes are due by January 31, 2023.

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. No split payments are allowed, and no discounts are allowed.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of property comprising the 2020 through 2022 Taxable Assessed Valuations. See "TAXING PROCEDURES." Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. Information in this summary may differ slightly from the assessed valuations shown herein due to difference in dates of data. Breakdowns of the uncertified portion ($4,627,439) of the 2022 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of November 1, 2022, are not available.

	2022 Taxable Assessed Value	2021 Taxable Assessed Value	2020 Taxable Assessed Value
Land	$ 236,258,620	$ 198,210,698	$ 174,712,263
Improvements	894,910,073	785,829,722	736,440,532
Personal Property	16,677,583	16,055,624	15,606,472
Exemptions	(67,821,854)	(65,612,533)	(61,964,249)
Total Certified	$ 1,080,024,422	$ 934,483,511	$ 864,795,018
Uncertified Value	4,627,439	-	-
Total	$ 1,084,651,861	$ 934,483,511	$ 864,795,018

Principal Taxpayers

The following list of principal taxpayers was provided by the District's tax assessor/collector and represents the principal taxpayers' value as a percentage of the certified portion ($1,080,024,422) of the 2022 Taxable Assessed Valuation. This represents ownership as of January 1, 2022. Principal taxpayer lists related to the uncertified portion ($4,627,439) of the 2022 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of November 1, 2022, are not available.

Taxpayer	Type of Property	2022 Certified Taxable Assessed Valuation	% of 2022 Certified Taxable Assessed Valuation
D&M Katy Realty LLC	Land & Improvements	$ 6,671,539	0.62%
Deen Dayal LLC	Land & Improvements	5,810,303	0.54%
Opulent Retail LLC	Land & Improvements	4,147,414	0.38%
CenterPoint Energy Houston Electric	Personal Property	4,021,690	0.37%
DPV Clay Road LLC	Land & Improvements	3,811,245	0.35%
Mason-Morton Ranch LLC	Land	3,524,646	0.33%
HUT Enterprises LLC	Land & Improvements	3,466,322	0.32%
Kinmax LLC	Land & Improvements	3,076,249	0.28%
Lumidia LLC	Land & Improvements	2,758,312	0.26%
G Pkway Land LP	Land	2,685,164	0.25%
Total		$ 39,972,884	3.70%

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2022 Taxable Assessed Valuation of $1,084,651,861 ($1,080,024,422 certified plus $4,627,439 uncertified) or Estimated Taxable Assessed Valuation as of November 1, 2022 of $1,090,055,765, no use of available funds, and utilize tax rates necessary to pay the District's average and maximum annual debt service requirements on the Outstanding Bonds and the Bonds.

Maximum annual debt service requirement (2023)	$4,430,190
$0.43 tax rate on the 2022 Taxable Assessed Valuation of $1,084,651,861 at a 95% collection rate produces	$4,430,803
$0.43 tax rate on the Estimated Taxable Assessed Valuation as of November 1, 2022 of $1,090,055,765 at a 95% collection rate produces	$4,452,878
Average annual debt service requirement (2023-2036)	$3,491,569
$0.34 tax rate on the 2022 Taxable Assessed Valuation of $1,084,651,861 at a 95% collection rate produces	$3,503,426
$0.34 tax rate on the Estimated Taxable Assessed Valuation as of November 1, 2022 of $1,090,055,765 at a 95% collection rate produces	$3,520,880

No representation or suggestion is made that the uncertified portion of the 2022 Taxable Assessed Valuation or the estimates of values of land and improvements provided by the Appraisal District as of November 1, 2022, for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

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 Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS—Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully herein under “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 for the payment of certain contractual obligations. See “TAX DATA—Debt Service Tax” and “—Maintenance and Operations Tax.”

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Harris County Appraisal District (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”).

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 sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous 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, of between $3,000 and $12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty 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. See "TAX DATA."

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

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

Tax Abatement

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

Valuation of Property for Taxation

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

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

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

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

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the 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 the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

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

Tax Payment Installations 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.

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 June 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.

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 herein.

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 than1.035 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 District is designated as a Developing District for 2022. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Tax Rates for 2022." 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 subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes." 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 cost of suit and sale, 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 two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations."

WATER AND SEWER OPERATIONS

General

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

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for fiscal years March 31, 2019 through 2022, and an unaudited summary for the eight month period ended November 30, 2022 as provided by the District's bookkeeper. Reference is made to such statements and records for further and more complete information.

		Fiscal Year Ended March 31			
	4/1/2022 to 11/30/2022 (a)	2022	2021	2020	2019
Revenues					
Property Taxes	$ 60,114	$ 3,390,743	$ 2,845,175	$ 2,526,575	$ 1,949,194
Water Service	1,151,509	1,463,829	1,475,743	1,432,320	1,407,193
Wastewater Service	1,136,029	1,783,145	1,770,814	1,711,087	1,673,385
Regional Water Authority Fee	1,188,632	1,415,401	1,457,120	1,282,731	1,100,216
Penalty and Interest	64,332	102,812	95,012	94,701	120,097
Tap Connection and Inspection Fees	205,305	54,193	76,462	219,228	492,845
Sales Tax Receipts	52,432	69,708	67,129	55,676	47,340
Investment and Miscellaneous Revenue	144,998	79,668	167,855	480,845	447,554
Total Revenues	$ 4,003,352	$ 8,359,499	$ 7,955,310	$ 7,803,163	$ 7,237,824
Expenditures					
Professional Fees	$ 291,425	$ 431,934	$ 289,763	$ 324,755	$ 341,448
Contracted Services	897,298	1,324,843	1,276,405	1,086,897	1,114,533
Purchased Water Service	1,643,379	1,812,857	2,415,201	1,650,986	1,448,445
Purchased Wastewater Service	766,154	838,232	942,406	477,408	568,815
Utilities	30,338	40,562	37,697	12,459	86,278
Repairs and Maintenance	816,355	1,367,603	2,296,997	909,381	997,815
Other	129,893	185,036	213,803	227,226	390,152
Capital Outlay	1,995,860 (b)	243,421	322,254	85,896	240,089
Total Expenditures	$ 6,570,700	$ 6,244,488	$ 7,794,526	$ 4,775,008	$ 5,187,575
Revenues Over (Under) Expenditures	$ (2,567,349)	$ 2,115,011	$ 160,784	$ 3,028,155	$ 2,050,249
Other Sources (Interfund Transfer)	$ -	$ -	$ 45,284	$ -	$ -
Fund Balance (Beginning of Year)	$ 20,990,373	$ 18,875,362	$ 18,669,294	$ 15,641,139	$ 13,590,890
Fund Balance (End of Year)	$ 18,423,024	$ 20,990,373	$ 18,875,362	$ 18,669,294	$ 15,641,139

(a) Unaudited. Provided by the Bookkeeper.
(b) Expenditures related to Woodring Park construction and improvements. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Outstanding Bonds and the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds Principal	Interest	Total	Total Debt Service Requirements
2023	$ 4,366,831		$ 63,359	$ 63,359	$ 4,430,190
2024	4,014,256		133,388	133,388	4,147,644
2025	3,958,531		133,388	133,388	4,091,919
2026	3,939,681		133,388	133,388	4,073,069
2027	3,889,194		133,388	133,388	4,022,581
2028	3,521,416	$ 115,000	133,388	248,388	3,769,803
2029	3,260,113	350,000	128,500	478,500	3,738,613
2030	3,616,425	-	113,625	113,625	3,730,050
2031	3,262,525	300,000	113,625	413,625	3,676,150
2032	3,135,750	350,000	104,625	454,625	3,590,375
2033	2,495,950	575,000	94,125	669,125	3,165,075
2034	1,371,300	750,000	76,875	826,875	2,198,175
2035	1,349,488	750,000	52,500	802,500	2,151,988
2036	1,320,081	750,000	26,250	776,250	2,096,331
Total	$ 43,501,541	$ 3,940,000	$ 1,440,422	$ 5,380,422	$ 48,881,962

Average Annual Debt Service Requirements (2023-2036) $3,491,569
Maximum Annual Debt Service Requirements (2023) $4,430,190

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City of Houston, Harris County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source of and Security for Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. furthermore, the District cannot and does not make any representations that taxable property within the District will maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "—Registered Owners' Remedies and Bankruptcy Limitations" herein.

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 imposed by executive order of the Governor for any business or other establishment in the State. 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 decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

Potential Effects of Oil Price Volatility on the Houston Area

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

Extreme Weather Events

The greater Houston area is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days and Tropical Storm Imelda in September 2019.

According to the Engineer, the District had one waterline support structure fail due to Hurricane Harvey. The structural failure did not cause an interruption of water service and has been repaired. According to the Operator, approximately 25 homes flooded during Hurricane Harvey in Bridgewater Village, Section One and Enclave at Bridgewater, Section One.

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

Specific Flood Type Risks

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

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

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2022 Taxable Assessed Valuation is $1,084,651,861 ($1,080,024,422 certified plus $4,627,439 uncertified). After issuance of the Bonds, the maximum annual debt service requirement will be $4,430,190 (2023) and the average annual debt service requirement will be $3,491,569 (2023-2036). Assuming no increase or decrease from the 2022 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of $0.43 and $0.34 per $100 of assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and average annual debt service requirement, respectively. The Estimated Taxable Assessed Valuation as of November 1, 2022, is $1,090,055,765. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of November 1, 2022, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of $0.43 and $0.34 per $100 of assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and average annual debt service requirement, respectively. See "DEBT SERVICE REQUIREMENTS." Although calculations have been made regarding the tax rate necessary to pay the maximum and average annual debt service on the Bonds based upon the 2022 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of November 1, 2022, the District can make no representations regarding the future level of assessed valuation within the District. See "TAXING PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of $80,020,000 principal amount of unlimited tax bonds for the purpose of constructing the System and refunding purposes, $27,300,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and $6,630,000 principal amount of unlimited tax bonds for the purpose of developing parks and recreational facilities have been authorized by the District's voters. After the issuance of the Bonds, the District will have $2,690,000 principal amount of unlimited tax park bonds authorized but unissued, $10,324,230.40 principal amount of unlimited tax bonds for the purpose of constructing the System and refunding purposes authorized but unissued, and $26,165,000 principal amount of unlimited tax refunding bonds authorized but unissued. Voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. See "THE BONDS—Issuance of Additional Debt."

The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The principal amount of bonds sold by the District to construct park and recreational facilities is limited to one percent (1%) of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District.

The issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. 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. The costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES—District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies and Bankruptcy Limitations

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

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay, or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it is (1) authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If 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 the 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 a district.

A district may not be forced into bankruptcy involuntarily.

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. 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 itself became the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contained a new definition of "waters of the United States." The NWPR became effective June 22, 2020, and is 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 made plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice of Proposed Rulemaking to put back into place the pre-2015 definition of "waters of the United States," and on December 7, 2021, the proposed rule was published in the Federal Register, with the public comment period closing on February 7, 2022. On December 30, 2022, the EPA and USACE finalized the proposed rule, effective as of March 20, 2023, which vacates and remands the NWPR released in 2020 and interprets "waters of the United States" consistent with the pre-2015 regulatory regime. The adoption of the new rule is the subject of litigation, including a suit filed in the United States District Court for the Southern District of Texas. Due to this 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.

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Resolution on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Marketability

The District has no agreement with the Initial Purchaser 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 difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are generally bought, sold or traded in the secondary market.

Changes in Tax Legislation

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Initial Purchaser has entered into an agreement with Build America Mutual Assurance Company ("BAM" or the "Insurer") for the purchase of a municipal bond insurance policy (the "Policy"). At the time of entering into the agreement, the Insurer was rated "AA" (stable outlook) by S&P. See "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

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

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

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

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations.

Bond Counsel has reviewed the information appearing in this Official Statement under 'THE BONDS," "THE DISTRICT—General," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

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

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

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

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

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

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

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount Bonds

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

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Preliminary Official Statement.)

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

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

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership and redemption, sale or other disposition of such Bonds.

Qualified Tax-Exempt Obligations

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

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2023 is not expected to exceed $10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than $10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2023.

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of 97.1168% of the principal amount thereof which resulted in a net effective interest rate of 3.626944% as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the 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 other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to this issue of the Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "A1" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance" and "MUNICIPAL BOND INSURANCE."

There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by S&P or Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

MUNICIPAL 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 APPENDIX B 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 December 31, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $490.7 million, $207.3 million and $283.4 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 "MUNICIPAL 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.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from certain other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this 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

Masterson Advisors LLC 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, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC 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 and to the description of the System and in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by BGE, Inc., Consulting Engineers and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this Official Statement relating to the assessed valuations has been provided by the Harris County Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Harris County, including the District.

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Tax Tech, Inc., and is included herein in reliance upon the authority of said firm as an expert in assessing and collecting taxes.

Auditor: The District's financial statements for the fiscal year ending March 31, 2022, were audited by McCall Gibson Swedlund Barfoot, PLLC, Certified Public Accountants. See APPENDIX A for a copy of the District's audited financial statements for the fiscal year ended March 31, 2022.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "WATER AND SEWER OPERATIONS" has been provided by Myrtle Cruz, Inc. and is included herein in reliance upon the authority of such firm as experts in tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

The District, acting through its Board of Directors in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings “DEBT SERVICE REQUIREMENTS,” “THE SYSTEM,” “WATER AND SEWER OPERATIONS,” “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED),” except for “Estimated Overlapping Debt,” “TAX DATA,” (most of which information is contained in the District's annual audit report and Supplemental Schedules) and APPENDIX A (the Annual Audit Report and supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2023. Any financial statements provided by the District shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable year to the MSRB within such six month period and audited financial statements when the audit becomes available.

The District's current fiscal year end is March 31. Accordingly, it must provide updated information by September 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 specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operational data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from MSRB

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with its continuing disclosure agreements made in accordance with SEC Rule 15c2-12, except as described below:

On September 28, 2022, the District timely filed an Annual Report for the fiscal year ended March 31, 2022, with the MSRB through the EMMA internet portal. However, due to an administrative oversight, the Exhibit A "Annual Report" was not for the District. The District's 2022 Annual Report was filed on November 18, 2022, which was more than six months after the end of the District's 2022 fiscal year. The District filed a Notice of Late Filing with the MSRB through the EMMA internet portal on November 21, 2022.

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 statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

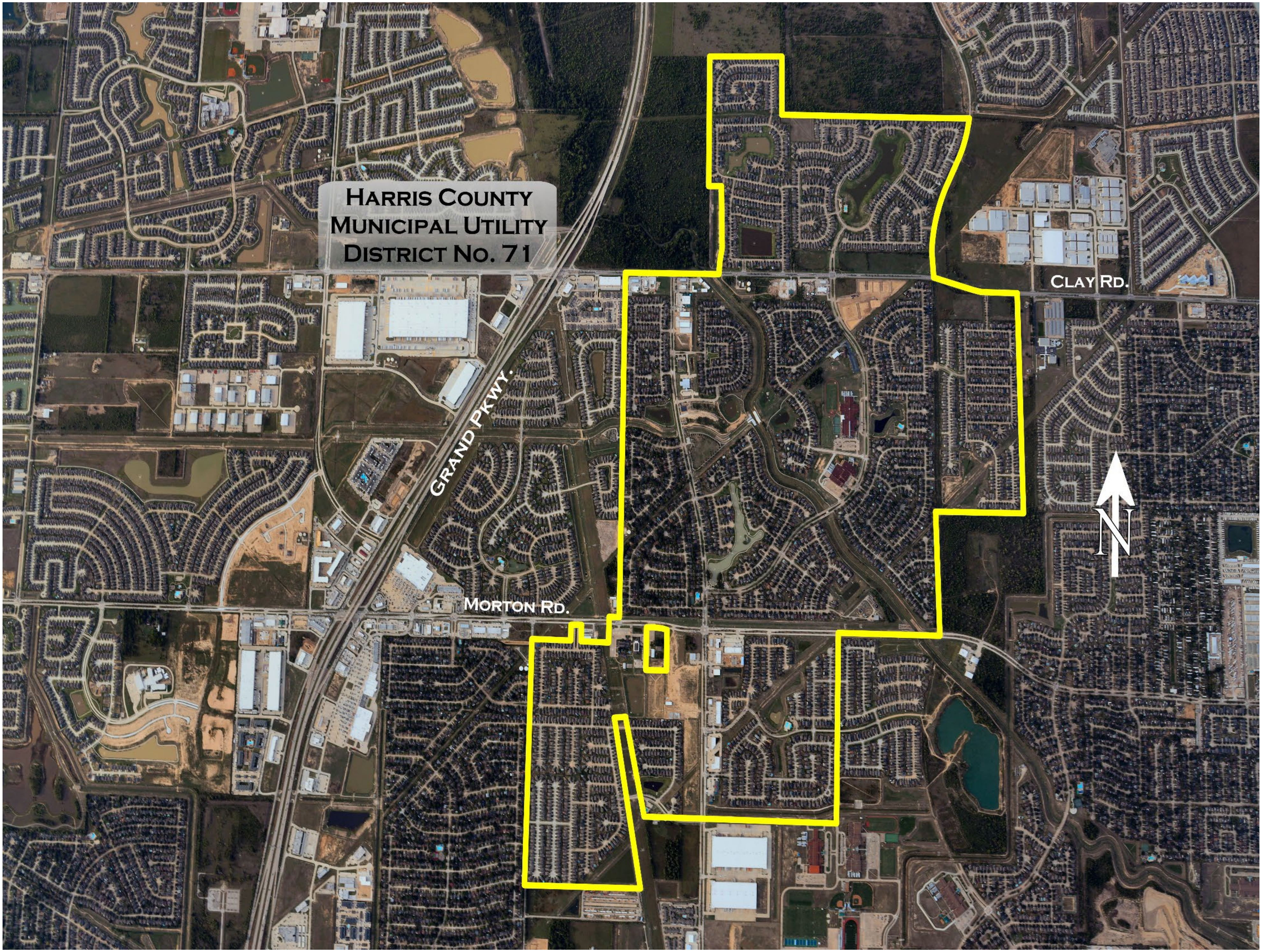
This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 71, as of the date shown on the cover page.

/s/ *Pam Kerr*
President, Board of Directors
Harris County Municipal Utility District No. 71

ATTEST:

/s/ *Mary DuBois*
Secretary, Board of Directors
Harris County Municipal Utility District No. 71

AERIAL PHOTOGRAPH
(Approximate boundaries of the District as of August 2022)


Harris County
Municipal Utility
District No. 71
Clay Rd.
Grand Pkwy.
Morton Rd.
N

PHOTOGRAPHS OF THE DISTRICT
(Taken August 2022)


Mobil
Mobil
checkout
Synergy


FAMILY DOLLAR
FAMILY DOLLAR
$1 WOW


O'Reilly AUTO PARTS
CRC BRAKLEEN
CLEANER
$4.99
O'Reilly AUTO PARTS


TEXAS KIDS
Childcare


Tim Hortons
COFFEE & BAKERY
Tims


MASON RD MEDICAL PLAZA
Sanitas
Medical Center
For Members of
Texas
FOR LEASE 832-257-5802

APPENDIX A

District Audited Financial Statements for the fiscal year ended March 31, 2022

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2022

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2022

TABLE OF CONTENTS

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 71
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. 71 (the "District") as of and for the year ended March 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 the District as of March 31, 2022, and the respective changes in financial position 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.

Board of Directors
Harris County Municipal Utility District No. 71

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 the Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund and Special Revenue Fund 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.

Board of Directors
Harris County Municipal Utility District No. 71

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 supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is 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 supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

July 25, 2022

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2022

Management's discussion and analysis of the financial performance of Harris County Municipal Utility District No. 71 (the "District") provides an overview of the District's financial activities for the year ended March 31, 2022. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Special Revenue Fund accounts for the activities of the joint water and joint wastewater treatment facilities. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and supplementary information. Budgetary comparison schedules are included as RSI for the General Fund and Special Revenue Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by $29,188,362 as of March 31, 2022. A portion of the District's net position reflects its net investment in capital assets (land, water, wastewater and drainage facilities as well as buildings and equipment less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of the government-wide changes in net position:

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Changes in the Statement of Net Position

	2022	2021	Change Positive (Negative)
Current and Other Assets	$ 27,356,433	$ 25,443,712	$ 1,912,721
Capital Assets (Net of Accumulated Depreciation)	40,254,784	41,552,617	(1,297,833)
Total Assets	$ 67,611,217	$ 66,996,329	$ 614,888
Deferred Outflows of Resources	$ 1,059,523	$ 1,154,024	$ (94,501)
Bonds Payable	$ 37,392,322	$ 40,178,585	$ 2,786,263
Due to Developer	858,357	858,357	
Other Liabilities	1,231,699	1,319,828	88,129
Total Liabilities	$ 39,482,378	$ 42,356,770	$ 2,874,392
Net Investment in Capital Assets	$ 3,063,628	$ 1,669,699	$ 1,393,929
Restricted	4,970,073	5,095,292	(125,219)
Unrestricted	21,154,661	19,028,592	2,126,069
Total Net Position	$ 29,188,362	$ 25,793,583	$ 3,394,779

The following table provides a comparative analysis of the District's operations for the years ending March 31, 2022, and March 31, 2021.

Summary of Changes in the Statement of Activities

	2022	2021	Change Positive (Negative)
Revenues:			
Property Taxes	$ 7,379,177	$ 6,840,039	$ 539,138
Charges for Services	5,528,801	5,894,053	(365,252)
Other Revenues	156,892	270,187	(113,295)
Total Revenues	$ 13,064,870	$ 13,004,279	$ 60,591
Expenses for Services	9,670,091	10,729,183	1,059,092
Change in Net Position	$ 3,394,779	$ 2,275,096	$ 1,119,683
Net Position, Beginning of Year	25,793,583	23,518,487	2,275,096
Net Position, End of Year	$ 29,188,362	$ 25,793,583	$ 3,394,779

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2022, were $25,867,057, an increase of $1,974,113 from the prior year.

The General Fund fund balance increased by $2,115,011, primarily due to service revenue and property tax revenues exceeding capital and operating expenditures.

The Debt Service Fund fund balance decreased by $140,898, primarily due to the structure of the District's outstanding debt and the timing of debt service tax collections and debt service payments.

The Special Revenue Fund bills all costs incurred to operate and maintain the facilities to the participants.

BUDGETARY HIGHLIGHTS

The Board of Directors annually adopts an unappropriated budget for the General Fund. This budget was amended for certain changes to anticipated expenditures. Actual revenues were $397,999 more than budgeted revenues and actual expenditures were $6,495,465 less than budgeted expenditures which resulted in a positive variance of $6,893,464. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of March 31, 2022, total $40,254,784 (net of accumulated depreciation) and include land, buildings and equipment, as well as the water, wastewater and drainage systems. Capital outlay included improvements to District facilities as well as joint facilities shared with Harris County MUD No. 287 and Bundy Lake Park improvements.

Capital Assets At Year-End

	2022	2021	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 4,058,762	$ 4,058,762	$
Construction in Progress	177,021	645,976	(468,955)
Capital Assets Subject to Depreciation:			
Buildings and Equipment	1,963,535	1,642,746	320,789
Water System	20,040,134	20,040,134	
Wastewater System	24,443,109	23,959,543	483,566
Drainage System	10,413,704	10,413,704	
Less Accumulated Depreciation	(20,841,481)	(19,208,248)	(1,633,233)
Total Net Capital Assets	$ 40,254,784	$ 41,552,617	$ (1,297,833)

LONG-TERM DEBT ACTIVITY

As of March 31, 2022, the District had total bond debt payable of $37,025,000. The changes in the debt position of the District during the year ended March 31, 2022, are summarized as follows:

Bond Debt Payable, April 1, 2021	$ 39,775,000
Less: Bond Principal Paid	2,750,000
Bond Debt Payable, March 31, 2022	$ 37,025,000

The District carries underlying ratings of "A-" by Standard & Poor's or "A2" by Moody's. The Series 2012A, 2014, 2015, 2015A, 2016 and 2020 bonds carry "AA" ratings by virtue of bond insurance issued by either Build America Mutual Assurance Company or Assured Guaranty Municipal. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 71, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2022

	General Fund	Special Revenue Fund
ASSETS		
Cash	$ 424,346	$ 292,350
Investments	20,754,664	4,681
Receivables:		
Property Taxes	108,557	
Penalty and Interest on Delinquent Taxes		
Service Accounts	422,687	
Accrued Interest	9,602	
Other	26,173	
Due from Other Funds	79,520	316,777
Prepaid Costs	24,281	
Due from Participants		83,738
Advance for Joint Facilities Operations	413,660	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 22,263,490	$ 697,546
DEFERRED OUTLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	$ -0-	$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 22,263,490	$ 697,546

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

Debt Service Fund	Total	Adjustments	Statement of Net Position
$ 255,622	$ 972,318	$	$ 972,318
4,698,687	25,458,032		25,458,032
144,948	253,505		253,505
		48,471	48,471
	422,687		422,687
1,895	11,497		11,497
	26,173		26,173
	396,297	(396,297)	
	24,281	55,731	80,012
	83,738		83,738
	413,660	(413,660)	
		4,058,762	4,058,762
		177,021	177,021
		36,019,001	36,019,001
$ 5,101,152	$ 28,062,188	$ 39,549,029	$ 67,611,217
$ -0-	$ -0-	$ 1,059,523	$ 1,059,523
$ 5,101,152	$ 28,062,188	$ 40,608,552	$ 68,670,740

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2022

	General Fund	Special Revenue Fund
LIABILITIES		
Accounts Payable	$ 453,193	$ 231,021
Participant Advances		466,525
Accrued Interest Payable		
Due to Developers		
Due to Other Funds	316,777	
Security Deposits	394,590	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 1,164,560	$ 697,546
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 108,557	$ -0-
FUND BALANCES		
Nonspendable:		
Prepaid Costs	$ 24,281	$
Joint Facilities Operating Advance	413,660	
Restricted for Debt Service		
Committed for Construction	2,401,096	
Assigned to 2023 Budget Deficit	2,384,299	
Unassigned	15,767,037	
TOTAL FUND BALANCES	$ 20,990,373	$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 22,263,490	$ 697,546
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Debt Service Fund	Total	Adjustments	Statement of Net Position
$	$ 684,214	$	$ 684,214
	466,525	(413,660)	52,865
		100,030	100,030
		858,357	858,357
79,520	396,297	(396,297)	
	394,590		394,590
		2,850,000	2,850,000
		34,542,322	34,542,322
$ 79,520	$ 1,941,626	$ 37,540,752	$ 39,482,378
$ 144,948	$ 253,505	$ (253,505)	$ -0-
$	$ 24,281	$ (24,281)	$
	413,660	(413,660)	
4,876,684	4,876,684	(4,876,684)	
	2,401,096	(2,401,096)	
	2,384,299	(2,384,299)	
	15,767,037	(15,767,037)	
$ 4,876,684	$ 25,867,057	$ (25,867,057)	$ - 0 -
$ 5,101,152	$ 28,062,188		
		$ 3,063,628	$ 3,063,628
		4,970,073	4,970,073
		21,154,661	21,154,661
		$ 29,188,362	$ 29,188,362

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
MARCH 31, 2022

Total Fund Balances - Governmental Funds		$ 25,867,057
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The difference between the net carrying amount of refunded bonds and the reacquisition price is recorded as a deferred outflow of resources in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		1,059,523
Prepaid bond insurance is amortized over the term of the refunding bonds.		55,731
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		40,254,784
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2021 and prior tax levies became part of recognized revenue in the governmental activities of the District.		301,976
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Due to Developer	$ (858,357)	
Accrued Interest Payable	(100,030)	
Bonds Payable	(37,392,322)	(38,350,709)
Total Net Position - Governmental Activities		$ 29,188,362

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2022

	General Fund	Special Revenue Fund
REVENUES		
Property Taxes	$ 3,390,743	$
Water Service	1,463,829	2,430,865
Wastewater Service	1,783,145	874,862
Water Authority Fees	1,415,401	
Penalty and Interest	102,812	
Tap Connection and Inspection Fees	54,193	
Sales Tax Revenues	69,708	
Investment and Miscellaneous Revenues	79,668	44
TOTAL REVENUES	$ 8,359,499	$ 3,305,771
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 431,934	$ 16,265
Contracted Services	1,324,843	175,100
Purchased Water Service	1,812,857	
Purchased Wastewater Service	838,232	
Utilities	40,562	304,538
Water Authority Assessments		1,888,984
Repairs and Maintenance	1,367,603	479,733
Depreciation		
Other	185,036	349,172
Capital Outlay	243,421	91,979
Debt Service:		
Bond Principal		
Bond Interest		
TOTAL EXPENDITURES/EXPENSES	$ 6,244,488	$ 3,305,771
NET CHANGE IN FUND BALANCES	$ 2,115,011	$ - 0 -
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - APRIL 1, 2021	18,875,362	
FUND BALANCES/NET POSITION - MARCH 31, 2022	$ 20,990,373	$ - 0 -

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

Debt Service Fund	Total	Adjustments	Statement of Activities
$ 3,964,992	$ 7,355,735	$ 23,442	$ 7,379,177
	3,894,694	(1,812,857)	2,081,837
	2,658,007	(838,232)	1,819,775
	1,415,401		1,415,401
50,338	153,150	4,445	157,595
	54,193		54,193
	69,708		69,708
7,472	87,184		87,184
$ 4,022,802	$ 15,688,072	$ (2,623,202)	$ 13,064,870
$ 12,147	$ 460,346	$	$ 460,346
108,997	1,608,940		1,608,940
	1,812,857	(1,812,857)	
	838,232	(838,232)	
	345,100		345,100
	1,888,984		1,888,984
	1,847,336		1,847,336
		1,633,233	1,633,233
25,800	560,008		560,008
	335,400	(335,400)	
2,750,000	2,750,000	(2,750,000)	
1,266,756	1,266,756	59,388	1,326,144
$ 4,163,700	$ 13,713,959	$ (4,043,868)	$ 9,670,091
$ (140,898)	$ 1,974,113	$ (1,974,113)	$
		3,394,779	3,394,779
5,017,582	23,892,944	1,900,639	25,793,583
$ 4,876,684	$ 25,867,057	$ 3,321,305	$ 29,188,362

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2022

Net Change in Fund Balances - Governmental Funds	$ 1,974,113
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	23,442
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	4,445
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(1,633,233)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	335,400
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	2,750,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(59,388)
Change in Net Position - Governmental Activities	$ 3,394,779

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

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 71 (the "District") was created by an order of the Texas Water Commission, dated December 13, 1977. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local 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 statement as component units.

The District participates in a joint venture for the operation of the joint water facilities and wastewater treatment facilities. Since the District exercises oversight responsibility for the plants, the plants' operations are accounted for in the Special Revenue Fund of the District (see Note 8). The District does not issue separate financial statements for this joint venture.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification").

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

- Restricted Net Position – This component of net position consists of external constraints placed on the use of net position imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – This component of net position consists of net position that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses of the government-wide Statements of Activities.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers them to be major funds.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Special Revenue Fund – To account for financial resources collected and administered by the District for the operation of the joint water facilities and wastewater treatment facilities.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of March 31, 2022, the General Fund owed $316,777 to the Special Revenue Fund for joint water and wastewater operations and the Debt Service Fund owed $79,520 to the General Fund for the maintenance tax revenue and arbitrage costs.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenue include taxes collected during the current period and taxes collected after year-end, which were considered available to defray the expenditures of the current period. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than $5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

Budgeting

Annual unappropriated budgets are adopted for both the General Fund and Special Revenue Fund by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. The budgets were amended during the current fiscal year. The Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund and Special Revenue Fund present the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that the directors are considered to be employees for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds using the following hierarchy:

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.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District committed $2,401,096 of its General Fund fund balance to be used for Woodring Park improvements.

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 has assigned $2,384,299 of its General Fund fund balance for a budgeted deficit for the fiscal year ending March 31, 2023.

Unassigned: all other spendable amounts in the General Fund.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Refunding Series 2012A	Series 2014	Refunding Series 2015
Amount Outstanding – March 31, 2022	$310,000	$4,950,000	$5,355,000
Interest Rates	3.00%	4.00% - 5.00%	3.00% - 3.25%
Maturity Dates – Serially Beginning/Ending	March 1, 2023	September 1, 2022/2036	March 1, 2023/2030
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2020*	September 1, 2022*	March 1, 2022*

* Or any interest payment date thereafter, callable at par, plus unpaid accrued interest in whole or in part, at the option of the District. Series 2014 term bonds maturing September 1, 2030, are subject to mandatory redemption beginning September 1, 2025.

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2015A	Refunding Series 2016	Refunding Series 2020
Amount Outstanding – March 31, 2022	$5,870,000	$13,120,000	$7,420,000
Interest Rates	2.00% - 3.375%	2.00% - 4.00%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2022/2036	September 1, 2022/2033	September 1, 2022/2033
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2023*	September 1, 2023*	September 1, 2026*

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

The following is a summary of transactions regarding bonds payable for the year ended March 31, 2022:

	April 1, 2021	Additions	Retired	March 31, 2022
Bonds Payable	$ 39,775,000	$	$ 2,750,000	$ 37,025,000
Unamortized Discounts	(187,550)		(13,064)	(174,486)
Unamortized Premiums	591,135		49,327	541,808
Bonds Payable, Net	$ 40,178,585	$ -0-	$ 2,786,263	$ 37,392,322

Amount Due Within One Year	$ 2,850,000
Amount Due After One Year	34,542,322
Bonds Payable, Net	$ 37,392,322

As of March 31, 2022, the District has authorized but unissued tax bonds of $10,324,230 for the purpose of purchasing and constructing water supply and distribution, wastewater collection and treatment and storm drainage facilities and refunding purposes, $26,665,000 of unlimited tax refunding bonds authorized but unissued, and authorized but unissued park bonds of $6,630,000. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. Subsequent to year end, the Board authorized the submittal of a park bond application in the amount of $3,770,000.

NOTE 3. LONG-TERM DEBT (Continued)

As of March 31, 2022, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2023	$ 2,850,000	$ 1,179,732	$ 4,029,732
2024	2,960,000	1,088,519	4,048,519
2025	2,410,000	999,694	3,409,694
2026	3,005,000	919,181	3,924,181
2027	2,790,000	827,375	3,617,375
2028-2032	14,185,000	2,742,527	16,927,527
2033-2037	8,825,000	684,692	9,509,692
	$ 37,025,000	$ 8,441,720	$ 45,466,720

The District levied an ad valorem debt service tax rate of $0.425 per $100 of assessed valuation, which resulted in a tax levy of $3,972,723 on the adjusted taxable valuation of $934,758,205 for the 2021 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

All property values and exempt status, if any, are determined by the 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.

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The bond resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The District has covenanted that it will take necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of the issue.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At year end, the carrying amount of the District's deposits was $8,794,081 and the bank balance was $8,812,508. The District was not exposed to custodial credit risk at year end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at March 31, 2022, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	$ 424,346	$ 6,341,772	$ 6,766,118
SPECIAL REVENUE FUND	292,350		292,350
DEBT SERVICE FUND	255,622	1,479,991	1,735,613
TOTAL DEPOSITS	$ 972,318	$ 7,821,763	$ 8,794,081

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool. The District measures its investments in certificates of deposit at acquisition cost.

As of March 31, 2022, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
TexPool	$ 14,412,892	$ 14,412,892
Certificates of Deposit	6,341,772	6,341,772
SPECIAL REVENUE FUND		
TexPool	4,681	4,681
DEBT SERVICE FUND		
TexPool	3,218,696	3,218,696
Certificates of Deposit	1,479,991	1,479,991
TOTAL INVESTMENTS	$ 25,458,032	$ 25,458,032

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2022, the District's investment in TexPool was rated AAAm by Standard and Poor's. The District manages credit risk by investing in certificates of deposit with balances below FDIC insurance or those which are secured by pledged collateral. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions - All cash and investments of the Special Revenue Fund are restricted for the payment of operating and maintenance costs of the joint water facilities and wastewater treatment facilities. All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2022 is as follows:

	April 1, 2021	Increases	Decreases	March 31, 2022
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 4,058,762	$	$	$ 4,058,762
Construction in Progress	645,976	313,329	782,284	177,021
Total Capital Assets Not Being Depreciated	$ 4,704,738	$ 313,329	$ 782,284	$ 4,235,783
Capital Assets Subject to Depreciation				
Buildings and Equipment	$ 1,642,746	$ 320,789	$	$ 1,963,535
Water System	20,040,134			20,040,134
Wastewater System	23,959,543	483,566		24,443,109
Drainage System	10,413,704			10,413,704
Total Capital Assets Subject to Depreciation	$ 56,056,127	$ 804,355	$ - 0 -	$ 56,860,482
Less Accumulated Depreciation				
Buildings and Equipment	$ 700,322	$ 62,238	$	$ 762,560
Water System	6,749,566	698,874		7,448,440
Wastewater System	9,017,761	640,705		9,658,466
Drainage System	2,740,599	231,416		2,972,015
Total Accumulated Depreciation	$ 19,208,248	$ 1,633,233	$ - 0 -	$ 20,841,481
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 36,847,879	$ (828,878)	$ - 0 -	$ 36,019,001
Total Capital Assets, Net of Accumulated Depreciation	$ 41,552,617	$ (515,549)	$ 782,284	$ 40,254,784

NOTE 7. MAINTENANCE TAX

At an election held on August 13, 1994, the voters of the District approved the levy and collection of a maintenance tax not to exceed $0.60 per $100 of assessed valuation of taxable property within the District. The District levied an ad valorem maintenance tax rate of $0.365 per $100 of assessed valuation, which resulted in a tax levy of $3,411,867 on the adjusted

NOTE 7. MAINTENANCE TAX (Continued)

taxable valuation of $934,758,205 for the 2021 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system and other operating expenses of the District.

NOTE 8. JOINT FACILITIES

Joint Water Facilities

On September 18, 2006, the District entered into an agreement with Harris County Municipal Utility District No. 287 (District No. 287) to finance and operate joint water supply and distribution facilities (the "Project") to serve the areas within both districts. This agreement was amended on January 14, 2008, February 17, 2014, December 15, 2014, May 23, 2018, and December 9, 2019, and has a term of 40 years. The District has legal title to the Project for the benefit of both districts. Each district is responsible for costs of the construction, operation, maintenance and repair, and extensions of their respective internal water distribution systems.

The District coordinated the construction of all phases of the Project, and each participant paid its share. Under the Agreement, the District constructed and financed Phase 1 of the Project and District No. 287 paid $400,000 to the District for Phase 2 of the Project, which included the installation of two additional 20,000-gallon hydropneumatic tanks and rehabilitation of the District's existing ground storage tank. District No. 287 contributed $1,600,000 toward the construction costs of Phase 3 which included new ground storage tank, booster pump and electrical improvement at water plant no. 2 and a new hydro tank, control building, electrical improvements and site improvements at water plant no. 1.

Each district pays its share of operation and maintenance expenses which are determined by the number of active connections within each district. Any major repairs or capital costs are pro-rated based on each district's capacity share. The District's cost for water for the current year was $1,812,857.

Joint Wastewater Treatment Facilities

On September 18, 2006, the District entered into an agreement with District No. 287 to sell capacity in the District's wastewater treatment facilities to serve 350 ESFCs in District No. 287 at a price of $1,260 per ESFC, or $441,000. This agreement was amended on October 1, 2009, to allow for District No. 287 to purchase from the District 351 ESFCs at a price of $1,260 per ESFC, or $442,260. This agreement was amended on January 1, 2012, to include the new replacement lift station located on the site of the facilities owned by the District.

NOTE 8. JOINT FACILITIES (Continued)

Joint Wastewater Treatment Facilities (Continued)

Each district is required to pay its share of operation and maintenance expenses for the wastewater treatment facilities based on the total capacity purchased by District No. 287 with respect to the total capacity owned by the District. The term of this agreement is 40 years from its effective date. The District's wastewater treatment costs totaled $838,232 for the current year.

As of March 31, 2022, the following balances have been recorded in the joint facilities:

	Harris County Municipal Utility District No. 71	Harris County Municipal Utility District No. 287	Total
Balance Receivable from Participants	$ 316,777	$ 83,738	$ 400,515
Reserve for Joint Operations	$ 413,660	$ 52,865	$ 466,525

NOTE 9. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the West Harris County Regional Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the "Act"), as passed by the 77th Texas Legislature, in 2001. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions.

The Authority is overseeing that its participants comply with subsidence district pumpage requirements. The Authority charges a fee, based on the amount of water pumped from a well, to the owners of wells located within the boundaries of the Authority, unless exempted. Effective January 1, 2022, the fee charged per 1,000 gallons of water pumped from each well is $3.70. The District recorded expenditures of $1,888,984 during the current year.

NOTE 10. UNREIMBURSED COSTS

The District has executed financing agreements with Developers within the District. The agreements call for the Developers to fund costs associated with water, wastewater and drainage facilities until such time as the District can sell bonds to reimburse the Developers. Reimbursement to the Developers for these projects is contingent upon approval from the Commission and, if necessary, the sale of bonds. The current year balance of $858,357 was unchanged from prior year.

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT

Effective December 12, 2008, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the “Subject Tract” for the limited purposes described below. The District will continue to develop, to own, and to operate and maintain a water and wastewater system in the District. The City imposes a sales and use tax on taxable items at the rate of one percent or the rate specified in future amendments to Chapter 321 of the Tax Code. The City pays the District one-half of all sales and use tax revenues generated within the boundaries of the Subject Tract and delivers to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Comptroller’s office. The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the agreement. During the year ending March 31, 2022, the District received $69,708 in sales tax revenues, of which $19,200 is recorded as a receivable.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2022

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED MARCH 31, 2022

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	$ 2,900,000	$ 2,900,000	$ 3,390,743	$ 490,743
Water Service	1,600,000	1,600,000	1,463,829	(136,171)
Wastewater Service	1,700,000	1,700,000	1,783,145	83,145
Water Authority Fees	1,500,000	1,500,000	1,415,401	(84,599)
Penalty and Interest	100,000	100,000	102,812	2,812
Tap Connection and Inspection Fees	18,000	18,000	54,193	36,193
Sales Tax Revenues	60,000	60,000	69,708	9,708
Investment and Miscellaneous Revenues	83,500	83,500	79,668	(3,832)
TOTAL REVENUES	$ 7,961,500	$ 7,961,500	$ 8,359,499	$ 397,999
EXPENDITURES				
Service Operations:				
Professional Fees	$ 277,000	$ 280,000	$ 431,934	$ (151,934)
Contracted Services	1,322,000	1,322,000	1,324,843	(2,843)
Purchased Services	3,904,703	3,904,703	2,651,089	1,253,614
Utilities	50,000	50,000	40,562	9,438
Repairs and Maintenance/Capital Outlay	6,770,000	6,770,000	1,611,024	5,158,976
Other	410,750	413,250	185,036	228,214
TOTAL EXPENDITURES	$ 12,734,453	$ 12,739,953	$ 6,244,488	$ 6,495,465
NET CHANGE IN FUND BALANCE	$ (4,772,953)	$ (4,778,453)	$ 2,115,011	$ 6,893,464
FUND BALANCE - APRIL 1, 2021	18,875,362	18,875,362	18,875,362	
FUND BALANCE - MARCH 31, 2022	$ 14,102,409	$ 14,096,909	$ 20,990,373	$ 6,893,464

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED MARCH 31, 2022

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Water and Wastwater Service	$ 4,711,250	$ 4,711,750	$ 3,305,727	$ (1,406,023)
Investment and Miscellaneous Revenues	500	500	44	(456)
TOTAL REVENUES	$ 4,711,750	$ 4,712,250	$ 3,305,771	$ (1,406,479)
EXPENDITURES				
Service Operations:				
Professional Fees	$ 59,250	$ 59,750	$ 16,265	$ 43,485
Contracted Services	175,000	175,000	175,100	(100)
Utilities	305,000	305,000	304,538	462
Water Authority Assessments	2,300,000	2,300,000	1,888,984	411,016
Repairs and Maintenance/Capital Outlay	1,433,000	1,433,000	571,712	861,288
Other	439,500	439,500	349,172	90,328
TOTAL EXPENDITURES	$ 4,711,750	$ 4,712,250	$ 3,305,771	$ 1,406,479
NET CHANGE IN FUND BALANCE	$ -0-	$ -0-	$ -0-	$ -0-
FUND BALANCE - APRIL 1, 2021				
FUND BALANCE - MARCH 31, 2022	$ -0-	$ -0-	$ -0-	$ -0-

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MARCH 31, 2022

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2022

1. SERVICES PROVIDED BY THE DISTRICT DURING THE YEAR:

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

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order effective February 14, 2022

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 24.00	5,000	N	$ 1.00	5,001 to 15,000
				$ 1.50	15,001 to 25,000
				$ 1.75	25,001 to 30,000
				$ 2.00	30,001 to 40,000
				$ 2.25	40,001 to 50,000
				$ 3.00	50,001 and up
WASTEWATER:	$ 33.82		Y		
SURCHARGE: Regional Water Authority Fees	Current RWA fee per 1,000 gallons plus 20%				

District employs winter averaging for wastewater usage? ______ Yes X No

Total charges per 10,000 gallons usage: Water: $29.00 Wastewater: $33.82 Surcharge: $44.40

Note: Homeowners Association users are charged $1.50 per 1,000 gallons of water used.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2022

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾”	2,030	2,013	x 1.0	2,013
1”	2,307	2,291	x 2.5	5,728
1½”	6	6	x 5.0	30
2”	49	49	x 8.0	392
3”			x 15.0	
4”	4	4	x 25.0	100
6”	5	3	x 50.0	150
8”	1	1	x 80.0	80
10”			x 115.0	
Total Water Connections	4,402	4,367		8,493
Total Wastewater Connections	4,392	4,316	x 1.0	4,316

3. TOTAL WATER CONSUMPTION DURING THE YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped into system:	531,227,000	Water Accountability Ratio: 94.4% (Gallons billed and sold/Gallons pumped)
Gallons billed to customers:	365,465,000	
Gallons sold:	135,729,000	To: Harris County Municipal Utility District No. 287

See accompanying independent auditor’s report.

4. **STANDBY FEES** (authorized only under TWC Section 49.231):

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

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

5. **LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes X No ____

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ____ Partly ____ Not at all X

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

Entirely X Partly ____ Not at all ____

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ____ No X

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2022

PROFESSIONAL FEES:		
Auditing	$	22,500
Engineering		191,707
Legal		217,727
TOTAL PROFESSIONAL FEES	$	431,934
PURCHASED SERVICES FOR RESALE:		
Purchased Water Service	$	1,812,857
Purchased Wastewater Service		838,232
TOTAL PURCHASED SERVICES FOR RESALE	$	2,651,089
CONTRACTED SERVICES:		
Bookkeeping	$	31,450
Operations and Billing		251,696
Solid Waste Disposal		892,969
Security		148,728
TOTAL CONTRACTED SERVICES	$	1,324,843
UTILITIES	$	40,562
REPAIRS AND MAINTENANCE	$	1,367,603
ADMINISTRATIVE EXPENDITURES:		
Director Fees, Including Payroll Taxes	$	25,922
Insurance		25,998
Office Supplies and Postage		74,668
Travel and Meetings		7,700
Website and Other		19,148
TOTAL ADMINISTRATIVE EXPENDITURES	$	153,436
CAPITAL OUTLAY	$	243,421
OTHER EXPENDITURES:		
Permit Fees	$	13,782
Inspection Fees		2,480
Regulatory Assessment		15,338
TOTAL OTHER EXPENDITURES	$	31,600
TOTAL EXPENDITURES	$	6,244,488

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
INVESTMENTS
MARCH 31, 2022

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
TexPool	XXXX0002	Varies	Daily	$ 14,412,892	$
Certificate of Deposit	XXXX2117	0.45%	04/29/22	247,235	1,024
Certificate of Deposit	XXXX2059	0.40%	07/16/22	2,156,209	6,096
Certificate of Deposit	XXXX1548	0.25%	08/15/22	213,617	334
Certificate of Deposit	XXXX2366	0.40%	02/06/23	3,009,009	1,748
Certificate of Deposit	XXXX8033	0.40%	02/12/23	245,526	126
Certificate of Deposit	XXXX6802	0.70%	02/18/23	225,000	177
Certificate of Deposit	XXXX5319	0.40%	02/23/23	245,176	97
TOTAL GENERAL FUND				$ 20,754,664	$ 9,602
SPECIAL REVENUE FUND					
TexPool	XXXX0004	Varies	Daily	$ 4,681	$ -0-
DEBT SERVICE FUND					
TexPool	XXXX0001	Varies	Daily	$ 3,218,696	$
Certificate of Deposit	XXXX4165	0.40%	06/25/22	248,097	759
Certificate of Deposit	XXXX5484	0.25%	08/15/22	247,193	386
Certificate of Deposit	XXXX1781	0.40%	08/15/22	248,418	621
Certificate of Deposit	XXXX1500	0.40%	03/03/23	245,178	75
Certificate of Deposit	XXXX3557	0.21%	03/12/23	245,000	27
Certificate of Deposit	XXXX4895	0.45%	03/22/23	246,105	27
TOTAL DEBT SERVICE FUND				$ 4,698,687	$ 1,895
TOTAL				$ 25,458,032	$ 11,497

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2022

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
APRIL 1, 2021	$ 89,526		$ 140,537	
Adjustments to Beginning Balance	(2,093)	$ 87,433	(3,320)	$ 137,217
Original 2021 Tax Levy	$ 3,090,875		$ 3,598,965	
Adjustment to 2021 Tax Levy	320,992	3,411,867	373,758	3,972,723
TOTAL TO BE ACCOUNTED FOR		$ 3,499,300		$ 4,109,940
TAX COLLECTIONS:				
Prior Years	$ 62,456		$ 89,589	
Current Year	3,328,287	3,390,743	3,875,403	3,964,992
TAXES RECEIVABLE - MARCH 31, 2022		$ 108,557		$ 144,948
TAXES RECEIVABLE BY YEAR:				
2021		$ 83,580		$ 97,320
2020		10,804		15,060
2019		5,258		8,142
2018		2,334		4,758
2017		2,688		5,914
2016		1,031		2,638
2015		693		2,229
2014 and prior		2,169		8,887
TOTAL		$ 108,557		$ 144,948

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2022

	2021	2020	2019	2018
PROPERTY VALUATIONS:				
Land	$ 198,167,909	$ 174,681,783	$ 159,258,681	$ 144,370,507
Improvements	785,709,274	736,806,025	704,201,925	644,205,948
Personal Property	13,099,677	12,284,604	11,132,638	9,928,079
Exemptions	(62,218,655)	(58,110,589)	(54,592,886)	(49,318,243)
TOTAL PROPERTY VALUATIONS	$ 934,758,205	$ 865,661,823	$ 820,000,358	$ 749,186,291
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.425	$ 0.46	$ 0.48	$ 0.53
Maintenance	0.365	0.33	0.31	0.26
TOTAL TAX RATES PER $100 VALUATION	$ 0.790	$ 0.79	$ 0.79	$ 0.79
ADJUSTED TAX LEVY*	$ 7,384,590	$ 6,838,729	$ 6,478,004	$ 5,918,573
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	97.55 %	99.62 %	99.78 %	99.87 %

* Based upon adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate of $0.60 per $100 of assessed valuation approved by voters on August 13, 1994.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2022

	SERIES-2012A REFUNDING		
Due During Fiscal Years Ending March 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2023	$ 310,000	$ 9,300	$ 319,300
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
	$ 310,000	$ 9,300	$ 319,300

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2022

	SERIES - 2014		
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	$ 50,000	$ 202,125	$ 252,125
2024	50,000	200,125	250,125
2025	50,000	198,125	248,125
2026	50,000	196,125	246,125
2027	50,000	194,125	244,125
2028	50,000	192,125	242,125
2029	50,000	190,125	240,125
2030	50,000	188,125	238,125
2031	525,000	176,625	701,625
2032	525,000	155,625	680,625
2033	525,000	134,625	659,625
2034	525,000	113,625	638,625
2035	800,000	86,625	886,625
2036	825,000	52,593	877,593
2037	825,000	17,531	842,531
	$ 4,950,000	$ 2,298,249	$ 7,248,249

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2022

	REFUNDING SERIES-2015		
Due During Fiscal Years Ending March 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2023	$ 1,175,000	$ 163,306	$ 1,338,306
2024	1,215,000	128,056	1,343,056
2025	655,000	91,606	746,606
2026	665,000	71,956	736,956
2027	390,000	52,006	442,006
2028	385,000	40,306	425,306
2029	550,000	28,276	578,276
2030	320,000	10,400	330,400
2031			
2032			
2033			
2034			
2035			
2036			
2037			
	$ 5,355,000	$ 585,912	$ 5,940,912

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2022

	SERIES - 2015A		
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	$ 375,000	$ 167,362	$ 542,362
2024	375,000	158,926	533,926
2025	375,000	149,550	524,550
2026	375,000	139,706	514,706
2027	375,000	129,394	504,394
2028	375,000	119,082	494,082
2029	375,000	108,300	483,300
2030	375,000	97,050	472,050
2031	375,000	85,801	460,801
2032	400,000	74,175	474,175
2033	400,000	61,925	461,925
2034	400,000	49,425	449,425
2035	425,000	36,269	461,269
2036	425,000	22,190	447,190
2037	445,000	7,509	452,509
	$ 5,870,000	$ 1,406,664	$ 7,276,664

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2022

	REFUNDING SERIES-2016		
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	$ 585,000	$ 422,163	$ 1,007,163
2024	605,000	407,337	1,012,337
2025	595,000	395,338	990,338
2026	1,135,000	376,619	1,511,619
2027	1,110,000	349,975	1,459,975
2028	1,390,000	308,300	1,698,300
2029	1,380,000	252,900	1,632,900
2030	1,370,000	197,900	1,567,900
2031	1,355,000	150,175	1,505,175
2032	1,395,000	108,925	1,503,925
2033	1,365,000	60,700	1,425,700
2034	835,000	16,700	851,700
2035			
2036			
2037			
	$ 13,120,000	$ 3,047,032	$ 16,167,032

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

LONG-TERM DEBT SERVICE REQUIREMENTS

MARCH 31, 2022

	REFUNDING SERIES-2020		
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	$ 355,000	$ 215,476	$ 570,476
2024	715,000	194,075	909,075
2025	735,000	165,075	900,075
2026	780,000	134,775	914,775
2027	865,000	101,875	966,875
2028	900,000	75,575	975,575
2029	645,000	60,125	705,125
2030	325,000	50,425	375,425
2031	540,000	41,774	581,774
2032	530,000	30,413	560,413
2033	520,000	18,600	538,600
2034	510,000	6,375	516,375
2035			
2036			
2037			
	$ 7,420,000	$ 1,094,563	$ 8,514,563

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2022

	ANNUAL REQUIREMENTS FOR ALL SERIES		
Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2023	$ 2,850,000	$ 1,179,732	$ 4,029,732
2024	2,960,000	1,088,519	4,048,519
2025	2,410,000	999,694	3,409,694
2026	3,005,000	919,181	3,924,181
2027	2,790,000	827,375	3,617,375
2028	3,100,000	735,388	3,835,388
2029	3,000,000	639,726	3,639,726
2030	2,440,000	543,900	2,983,900
2031	2,795,000	454,375	3,249,375
2032	2,850,000	369,138	3,219,138
2033	2,810,000	275,850	3,085,850
2034	2,270,000	186,125	2,456,125
2035	1,225,000	122,894	1,347,894
2036	1,250,000	74,783	1,324,783
2037	1,270,000	25,040	1,295,040
	$ 37,025,000	$ 8,441,720	$ 45,466,720

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2022

Description	Original Bonds Issued	Bonds Outstanding April 1, 2021
Harris County Municipal Utility District No. 71 Unlimited Tax Refunding Bonds - Series 2012A	$ 5,465,000	$ 610,000
Harris County Municipal Utility District No. 71 Unlimited Tax Refunding Bonds - Series 2013	4,125,000	255,000
Harris County Municipal Utility District No. 71 Unlimited Tax Bonds - Series 2014	5,300,000	5,000,000
Harris County Municipal Utility District No. 71 Unlimited Tax Refunding Bonds - Series 2014A	4,640,000	915,000
Harris County Municipal Utility District No. 71 Unlimited Tax Refunding Bonds - Series 2015	6,865,000	5,540,000
Harris County Municipal Utility District No. 71 Unlimited Tax Bonds - Series 2015A	8,120,000	6,245,000
Harris County Municipal Utility District No. 71 Unlimited Tax Refunding Bonds - Series 2016	15,330,000	13,705,000
Harris County Municipal Utility District No. 71 Unlimited Tax Refunding Bonds - Series 2020	7,505,000	7,505,000
TOTAL	$ 57,350,000	$ 39,775,000

Bond Authority:	Tax Bonds	Park Bonds	Refunding Bonds
Amount Authorized by Voters	$ 80,020,000	$ 10,400,000	$ 27,300,000
Amount Issued	69,695,770		635,000
Remaining to be Issued	$ 10,324,230	$ 10,400,000	$ 26,665,000

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements		Bonds Outstanding	
Bonds Sold	Principal	Interest	March 31, 2022	
$	$ 300,000	$ 18,300	$ 310,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	255,000	8,925	-0-	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	50,000	204,375	4,950,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	915,000	27,450	-0-	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	185,000	168,856	5,355,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	375,000	174,863	5,870,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	585,000	439,712	13,120,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	85,000	224,275	7,420,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
$ - 0 -	$ 2,750,000	$ 1,266,756	$ 37,025,000	

Debt Service Fund cash and investment balances as of March 31, 2022:	$ 4,954,309
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 3,031,115

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2022	2021	2020
REVENUES			
Property Taxes	$ 3,390,743	$ 2,845,175	$ 2,526,575
Water Service	1,463,829	1,475,743	1,432,320
Wastewater Service	1,783,145	1,770,814	1,711,087
Water Authority Fees	1,415,401	1,457,120	1,282,731
Penalty and Interest	102,812	95,012	94,701
Tap Connection and Inspection Fees	54,193	76,462	219,228
Sales Tax Revenues	69,708	67,129	55,676
Investment and Miscellaneous Revenues	79,668	167,855	480,845
TOTAL REVENUES	$ 8,359,499	$ 7,955,310	$ 7,803,163
EXPENDITURES			
Professional Fees	$ 431,934	$ 289,763	$ 324,755
Contracted Services	1,324,843	1,276,405	1,086,897
Purchased Water Services	1,812,857	2,415,201	1,650,986
Purchased Wastewater Services	838,232	942,406	477,408
Utilities	40,562	37,697	12,459
Repairs and Maintenance	1,367,603	2,296,997	909,381
Other	185,036	213,803	227,226
Capital Outlay	243,421	322,254	85,896
TOTAL EXPENDITURES	$ 6,244,488	$ 7,794,526	$ 4,775,008
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 2,115,011	$ 160,784	$ 3,028,155
OTHER FINANCING SOURCES (USES)			
Transfers In/(Out)	$ - 0 -	$ 45,284	$ - 0 -
NET CHANGE IN FUND BALANCE	$ 2,115,011	$ 206,068	$ 3,028,155
BEGINNING FUND BALANCE	18,875,362	18,669,294	15,641,139
ENDING FUND BALANCE	$ 20,990,373	$ 18,875,362	$ 18,669,294

See accompanying independent auditor's report.

2019	2018	2022	2021	2020	2019	2018
		Percentage of Total Revenues				
$ 1,949,194	$ 1,809,440	40.7 %	35.7 %	32.4 %	26.9 %	26.3 %
1,407,193	1,331,514	17.5	18.6	18.4	19.4	19.5
1,673,385	1,616,415	21.3	22.3	21.9	23.1	23.6
1,100,216	985,349	16.9	18.3	16.4	15.2	14.4
120,097	101,767	1.2	1.2	1.2	1.7	1.5
492,845	709,081	0.6	1.0	2.8	6.8	10.4
47,340	46,974	0.8	0.8	0.7	0.7	0.7
447,554	244,295	1.0	2.1	6.2	6.2	3.6
$ 7,237,824	$ 6,844,835	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 341,448	$ 308,780	5.2 %	3.6 %	4.2 %	4.7 %	4.5 %
1,114,533	1,059,153	15.8	16.0	13.9	15.4	15.5
1,448,445	1,234,543	21.7	30.4	21.2	20.0	18.0
568,815	608,414	10.0	11.8	6.1	7.9	8.9
86,278	51,841	0.5	0.5	0.2	1.2	0.8
997,815	693,936	16.4	28.9	11.7	13.8	10.1
390,152	332,735	2.2	2.7	2.9	5.4	4.9
240,089	130,274	2.9	4.1	1.1	3.3	1.9
$ 5,187,575	$ 4,419,676	74.7 %	98.0 %	61.3 %	71.7 %	64.6 %
$ 2,050,249	$ 2,425,159	25.3 %	2.0 %	38.7 %	28.3 %	35.4 %
$ - 0 -	$ - 0 -					
$ 2,050,249	$ 2,425,159					
13,590,890	11,165,731					
$ 15,641,139	$ 13,590,890					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2022	2021	2020
REVENUES			
Property Taxes	$ 3,964,992	$ 3,980,235	$ 3,939,080
Penalty and Interest	50,338	49,585	48,997
Investment and Miscellaneous Revenues	7,472	26,134	94,069
TOTAL REVENUES	$ 4,022,802	$ 4,055,954	$ 4,082,146
EXPENDITURES			
Tax Collection Expenditures	$ 146,944	$ 160,051	$ 157,408
Debt Service Principal	2,750,000	2,700,000	2,635,000
Debt Service Interest	1,266,756	1,283,253	1,466,730
Payment to Refunding Bond Escrow Agent		65,000	
Bond Issuance Costs		280,130	
TOTAL EXPENDITURES	$ 4,163,700	$ 4,488,434	$ 4,259,138
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (140,898)	$ (432,480)	$ (176,992)
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	$	$ 7,505,000	$
Transfer to Refunding Bond Escrow Agent		(7,451,996)	
Bond Premium		230,156	
TOTAL OTHER FINANCING SOURCES (USES)	$ - 0 -	$ 283,160	$ - 0 -
NET CHANGE IN FUND BALANCE	$ (140,898)	$ (149,320)	$ (176,992)
BEGINNING FUND BALANCE	5,017,582	5,166,902	5,343,894
ENDING FUND BALANCE	$ 4,876,684	$ 5,017,582	$ 5,166,902
TOTAL ACTIVE RETAIL WATER CONNECTIONS	4,367	4,359	4,338
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	4,316	4,359	4,284

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2019	2018	2022	2021	2020	2019	2018
$ 3,983,895	$ 3,998,983	98.5 %	98.2 %	96.5 %	96.9 %	97.9 %
44,211	45,410	1.3	1.2	1.2	1.1	1.1
84,247	42,128	0.2	0.6	2.3	2.0	1.0
$ 4,112,353	$ 4,086,521	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 141,411	$ 156,801	3.7 %	3.9 %	3.9 %	3.4 %	3.8 %
2,615,000	2,565,000	68.4	66.6	64.5	63.6	62.8
1,535,794	1,607,105	31.5	31.6	35.9	37.3	39.3
			1.6			
			6.9			
$ 4,292,205	$ 4,328,906	103.6 %	110.6 %	104.3 %	104.3 %	105.9 %
$ (179,852)	$ (242,385)	(3.6) %	(10.6) %	(4.3) %	(4.3) %	(5.9) %
$	$					
$ - 0 -	$ - 0 -					
$ (179,852)	$ (242,385)					
5,523,746	5,766,131					
$ 5,343,894	$ 5,523,746					
4,302	4,217					
4,243	4,159					

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2022

District Mailing Address	-	Harris County Municipal Utility District No. 71 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, TX 77027
District Telephone Number	-	(713) 860-6400

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended March 31, 2022	Expense reimbursements for the year ended March 31, 2022	Title
Pam Kerr	05/20 - 05/24 (Elected)	$ 5,250	$ -0-	President
Katrina Thornhill	05/20 - 05/24 (Elected)	$ 3,600	$ -0-	Vice President
Michael Williams	03/19 - 05/22 (Appointed)	$ 6,600	$ 2,715	Assistant Vice President
Mary DuBois	05/18 - 05/22 (Elected)	$ 3,900	$ 1,207	Secretary
Jennifer Elms	05/20 - 05/24 (Elected)	$ 4,650	$ 1,214	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants except for Director DuBois, who is employed by Acclaim Energy Advisors which provides energy advisory services to the District. Director DuBois has filed conflict of interest disclosure statements with the District.

Submission date of most recent District Registration Form: May 11, 2022

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution on July 18, 2001. Fees of Office are the amounts actually paid to a Director during the District's current year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2022

Consultants:	Date Hired	Fees for the year ended March 31, 2022 District		Fees for the year ended March 31, 2022 Joint Facilities		Title
Allen Boone Humphries Robinson LLP	07/27/03	$	217,727	$	373	General Counsel
McCall Gibson Swedlund Barfoot PLLC	09/07/07	$	22,500	$	4,500	Auditor
Myrtle Cruz, Inc.	04/01/89	$	35,105	$	10,100	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/11/91	$	12,147	$	-0-	Delinquent Tax Attorney
BGE, Inc.	08/01/83	$	214,573	$	36,345	Engineer
Masterson Advisors LLC	04/30/18	$	-0-	$	-0-	Financial Advisor
Mary Jarmon	02/13/06	$	-0-	$	-0-	Investment Officer
Regional Water Corporation	11/14/97	$	719,520	$	942,234	Operator
Tax Tech, Inc.	05/08/95	$	66,992	$	-0-	Tax Assessor/ Collector
Mike Stone Associates	04/01/13	$	349,417	$	-0-	Park Maintenance
Harris County	Annually	$	148,728	$	-0-	Security

See accompanying independent 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:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)