OFFICIAL STATEMENT DATED OCTOBER 4, 2023

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, AND INTEREST ON BONDS IS NOT INCLUDABLE IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS OR CORPORATIONS EXCEPT FOR CERTAIN ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS. SEE “TAX MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

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

NEW ISSUE – Book-Entry-Only

RATINGS: Moody’s (Underlying)……………...…..…“Baa1” (positive outlook)
S&P (Insured) ……………………………………..….“AA”
See “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE” herein

$20,465,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
(A political subdivision of the State of Texas located in Harris County, Texas)
UNLIMITED TAX ROAD BONDS, SERIES 2023

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

The Bonds described above (the “Bonds”) will be issued in fully registered form only, in denominations of $5,000 or any integral multiple of $5,000. Principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the “Paying Agent/Registrar”). Interest accrues from the Date of Delivery (defined below), and is payable on March 1, 2024, and each September 1 and March 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 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/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See “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” and “APPENDIX B – Specimen Municipal Bond Insurance Policy.”

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (September 1)	Principal Amount	Interest Rate [a]	Initial Reoffering Yield [b]	CUSIP Nos. 41428E [c]	Due (September 1)	Principal Amount	Interest Rate [a]	Initial Reoffering Yield [b]	CUSIP Nos. 41428E [c]
2024	$160,000	7.250%	4.300%	FF9	2035 [d]	565,000	4.500%	4.750%	FS1
2025	455,000	7.250%	4.300%	FG7					
2026	470,000	7.250%	4.300%	FH5	2038 [d]	590,000	4.750%	4.950%	FV4
2027	480,000	7.250%	4.300%	FJ1					
2028	495,000	7.250%	4.300%	FK8	2041 [d]	620,000	4.750%	5.030%	FY8
2029	500,000	7.250%	4.300%	FL6	2042 [d]	625,000	4.875%	5.050%	FZ5
2030 [d]	510,000	4.250%	4.350%	FM4	2043 [d]	635,000	4.875%	5.070%	GA9
2031 [d]	520,000	4.250%	4.400%	FN2	2044 [d]	1,170,000	5.000%	5.090%	GB7
2032 [d]	535,000	4.250%	4.450%	FP7	2045 [d]	1,475,000	5.000%	5.110%	GC5
2033 [d]	550,000	4.250%	4.550%	FQ5	2046 [d]	2,030,000	5.000%	5.120%	GD3
2034 [d]	550,000	4.500%	4.650%	FR3					

$1,160,000 Term Bond due September 1, 2037 [d] [e] Interest Rate 4.750% Initial Yield 4.900% [b] CUSIP No. 41428E FU6 [c]
$1,205,000 Term Bond due September 1, 2040 [d] [e] Interest Rate 4.750% Initial Yield 5.000% [b] CUSIP No. 41428E FX0 [c]
$5,165,000 Term Bond due September 1, 2048 [d] [e] Interest Rate 5.000% Initial Yield 5.130% [b] CUSIP No. 41428E GF8 [c]

(a) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest net effective interest rate bid to purchase the Bonds, bearing interest as shown, at a price of 97.112999% of par, plus accrued interest to the date of delivery, resulting in a net effective interest rate to the District of 5.126408%.

(b) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of the Initial Purchaser, and may subsequently be changed. Initial yields on premium Bonds are calculated to the earlier of maturity or the first optional call date.

(c) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers.

(d) Bonds maturing on September 1, 2030, and thereafter, shall be subject to redemption and payment 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 the par value thereof plus accrued interest to the date fixed for redemption. See “THE BONDS – Redemption Provisions.”

(e) In addition to being subject to optional redemption, as described above, the Term Bonds (as hereinafter defined) are also subject to mandatory redemption by lot or other customary random selection method on September 1 in the years and in the amounts set forth herein under the caption. See “THE BONDS – Redemption Provisions – Optional Redemption.”

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property located within the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered when, as and if issued, subject to approval of legality by the Attorney General of the State of Texas and by Smith, Murdaugh, Little & Bonham, LLP, Bond Counsel, Houston, Texas. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about November 2, 2023 (the “Date of Delivery”).

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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.

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."

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OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. Particularly, the reader should refer to indicated sections for more complete information on the discussed topic.

The District..................	Harris County Municipal Utility District No. 502 (the "District"), a political subdivision of the State of Texas, created by an order of the Texas Commission on Environmental Quality ("TCEQ or "Commission"), dated August 16, 2007, is located approximately 24 miles northwest of the central business district of Houston, Texas, south of the intersection of SH-290 and Barker-Cypress Road. The District is located within the extra-territorial jurisdiction ("ETJ") of the City of Houston and lies wholly within Harris County, Texas. The acreage of the District is 882.75 acres of land. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended, and other general laws of Texas applicable to municipal utility districts. See "THE DISTRICT."
Towne Lake.................	The District is one of four municipal utility districts (namely Harris County Municipal Utility Districts Nos. 500, 501, 502 and 503) collectively comprising approximately 2,123.59 acres referred to herein as the "Service Area" or "Towne Lake". The District, Harris County Municipal Utility District No. 500 ("MUD 500") (91.72 total acres), Harris County Municipal Utility District No. 501 ("MUD 501") (929.17 total acres), and Harris County Municipal Utility District No. 503 ("MUD 503") (219.95 total acres), (collectively or individually referred to as "Participant(s)") have executed the Master District Contract (defined herein) with the Master District (defined herein) as Participants and each has obtained the approval of the Master District Contract from its voters at an election held within its boundaries. See "THE SYSTEM – The Master District Contract" and "THE DEVELOPER."
The Developer	The principal developer of land within Towne Lake is CW SCOA West, L.P. See "THE DEVELOPER."
Status of Development...	To date, MUD 502 has been developed as 1,588 lots (Sections 32, 32 Replat 1, 33-36, 38, 42-43, 45-47, 49-55, 56-59 and 61-63). As of August 1, 2023, there were 1,464 occupied homes, 53 unoccupied homes, 39 homes under construction, and 32 vacant, developed lots. MUD 502 has 499 developed acres, approximately 72 acres undeveloped but developable and approximately 312.3 acres that are undevelopable.
Water and Wastewater...	Harris County Municipal Utility District No. 500 (the "Master District"), as the provider of regional water, sanitary sewer, drainage, park, road and other facilities necessary to serve the Service Area, including the District (hereinafter collectively referred to as the "Master District Facilities"), has contracted with the District to construct and provide service from the Master District Facilities. The Master District owns and operates the Master District Facilities. The District provides internal water distribution, wastewater collection and drainage, park, road and other facilities necessary to serve the District, within its boundaries. See "THE SYSTEM – The Master District Contract," "Master District Facilities" and "INVESTMENT CONSIDERATIONS – Contract Tax."
The Bonds....................	$20,465,000 Harris County Municipal Utility District No. 502 Unlimited Tax Road Bonds, Series 2023 (the "Bonds") are issued pursuant to an order of the District's Board of Directors (the "Bond Order"). The Bonds are issued as serial bonds maturing annually on September 1, 2024 through 2035, 2038, and 2041 through 2046, inclusive (the "Serial Bonds"), and as term bonds maturing on September 1, 2037, 2040 and 2048 (the "Term Bonds"). The Serial Bonds and the Term Bonds are collectively referred to herein as the "Bonds". Interest on the Bonds is payable on each March 1 and September 1 beginning March 1, 2024. Bonds maturing at the option of the District, in whole or from time to time in part, on or after September 1, 2030, are subject to redemption and payment prior to their scheduled maturities on September 1, 2029, and on any date thereafter. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. The Bonds are offered in fully registered form in integral multiples of $5,000 principal amount. See "THE BONDS."

Tax-Exempt Obligations	The Bonds will **not** be "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended.
Source of Payment........	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, upon all taxable property within the District. (See "THE BONDS – Source of Payment"). The Bonds are obligations of the District, and are not obligations of the State of Texas, Harris County, the City of Houston, Texas, the Master District, or any entity other than the District in its capacity as a Participant. The Bonds are not contract revenue bonds and, accordingly, proceeds collected by the Master District pursuant to the Master District Contract will not be available to pay debt service on the Bonds.
Book-Entry-Only..........	The Bonds are initially issuable in book-entry-only form and, when issued, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, which will act as securities depository. Beneficial owners of the Bonds will not receive physical delivery of bond certificates. See "BOOK-ENTRY-ONLY SYSTEM."
Authorized but Unissued Bonds...........	The voters of the District authorized the issuance of $73,750,000 in bonds the purposes of acquiring or constructing road facilities and the refunding of such bonds. After the issuance of the Bonds, $53,285,000 of such bonds will remain authorized but unissued. The voters of the District have also authorized the issuance of $14,800,000 in recreational facility bonds and the refunding of such bonds, and $169,190,000 in water, sewer and drainage bonds and the refunding of such bonds, of which, $143,905,000 in unlimited tax water, sewer and draingage bonds remains authorized but unissued. The voters of the District may, in the future authorize the issuance of additional bonds. See "THE BONDS – Issuance of Additional Debt – Generally" and "– Water, Sewer and Drainage and Fire-Fighting Facilities."
Authority for Issuance	The Bonds are issued pursuant to the terms and provisions of the Bond Order, Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas and an bond election held in the District.
Payment Record............	The Bonds are the first road bond issuance and the sixth installment of bonds issued by the District for the purpose of acquiring or constructing water, sewer and drainage facilities or road facilities. The District previously has issued $25,285,000 principal amount of Unlimited Tax Bonds, $23,050,000 of which remain outstanding (the "Outstanding Bonds"). The District has never defaulted in the timely payment of principal of or interest on any of its bonds issued to date. See "SELECTED FINANCIAL INFORMATION – Total Outstanding Bonds."
Municipal Bond Rating and Insurance...............	The District has made application to Moody's for an underlying rating on the Bonds and Moody's has assigned a rating of "Baa1" (positive outlook). An explanation of the rating may be obtained from Moody's, 7 World Trade Center, 250 Greenwich St, New York, NY 10007. The District will pay the cost of the Moody's rating associated with the underlying rating of the Bonds. Additionally, it is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") will assign a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). An explanation of the rating may be obtained from S&P. See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."

Use of Proceeds	The purpose of the first road bond issuance in the amount of $20,465,000 will be used to reimburse the Developer for contributions for certain capital costs associated with (i) paving facilities associated with Towne Lake Secs. 32, 33, 34, 35, 36, 43, 46, 50, 51, 52, 53, 54, 55, 56, 57, 61 and 63; (ii) engineering and geotechnical fees associated with the Sections in item (i); (iii) storm water compliance associated with Towne Lake Secs. 55 and 61; (iv) land acquisition costs associated with the Sections in item (i); (v) developer interest; (vi) six (6) months of capitalized interest; (vii) and to pay the costs of issuance of the Bonds. See “SOURCES AND USES OF FUNDS.”
Legal Opinion	Smith, Murdaugh, Little & Bonham, LLP, Houston, Texas, Bond Counsel.
Engineer	EHRA, Inc., Houston, Texas.
Financial Advisor	RBC Capital Markets, LLC, Houston, Texas.
Disclosure Counsel	Norton Rose Fulbright US LLP, Houston, Texas.
Paying Agent	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

THE BONDS INVOLVE CERTAIN INVESTMENT CONSIDERATIONS, AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION CAPTIONED “INVESTMENT CONSIDERATIONS.”

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SUMMARY OF SELECTED FINANCIAL INFORMATION

2023 Certified Assessed Valuation	$879,305,663	(a)
July 1, 2023 Estimated Assessed Valuation	$1,016,010,060	(b)
Direct Debt Outstanding (including the Bonds)	$43,515,000	
Ratio of Direct Debt to:		
2023 Certified Assessed Valuation	4.95%	
July 1, 2023 Estimated Assessed Valuation	4.28%	
General Fund Balance (as of August 2, 2023)	$4,308,500	
Capital Projects Fund Balance (as of August 2, 2023)	$1,609,166	
Water, Sewer and Drainage Debt Service Fund Balance (as of August 2, 2023)	$3,787,156	(c)
Road Debt Service Fund Balance (Capitalized Interest from Bond Proceeds)	$346,720	(c) (d)
Contract Tax Fund (as of August 2, 2023)	$6,500,175	
2022 Tax Rate		
Maintenance & Operations	$0.15	
Debt Service	0.29	
Contract Tax	0.74	
Total	$1.18	
2023 Tax Rate [e]		
Maintenance & Operations	$0.14	
Debt Service	0.32	
Contract Tax	0.56	
Total	$1.02	
Average Annual Debt Service Requirements (2024 – 2048) including the Bonds ("Average Annual Requirement")...	$2,751,466	
Tax rate required to pay Average Annual Requirement based upon 2023 Certified Assessed Valuation at 95% collections	$0.33	
Tax rate required to pay Average Annual Requirement based upon July 1, 2023 Estimated Assessed Valuation at 95% collections	$0.29	
Maximum Annual Debt Service Requirements including the Bonds (2025) including the Bonds ("Maximum Annual Requirement")...	$2,796,287	
Tax rate required to pay Maximum Annual Requirement based upon 2023 Certified Assessed Valuation at 95% collections	$0.34	
Tax rate required to pay Maximum Annual Requirement based upon July 1, 2023 Estimated Assessed Valuation at 95% collections.....................................	$0.29	
Status of Development as of September 1, 2023:		
Completed Lots	1,588	
Occupied Completed Homes	1,464	
Unoccupied Completed Homes	53	
Homes Under Construction	39	
Vacant Lots	32	
Total	3,176	
Estimated District Population	5,124	(f)

(a) The 2023 Certified Taxable Assessed Value includes the current certified portion as provided by Harris Central Appraisal District ("HCAD"). See "TAXING PROCEDURES."

(b) Provided by the HCAD for informational purposes only. This amount is an estimate of the assessed valuation of all taxable property located within the District as of July 1, 2023, and includes an estimate of valuations resulting from the construction of taxable improvements from January 1, 2023, through July 1, 2023. No taxes will be levied against this amount. See "TAXING PROCEDURES."

(c) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the debt service fund.

(d) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on an equal basis, a pro rata portion of the District's ad valorem tax revenue will be allocated to the bonds and sold for road facilities and a pro rata portion will be allocated to the bonds sold for water, sewer and drainage facilties.

(e) Following the October 4, 2023 Board meeting, the Board published the 2023 tax rate of $1.02 per $100 of Assessed Valuation. No commitment can be made as to the tax rate that will be adopted.

(f) Based upon 3.5 residents per occupied single-family residential home.

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OFFICIAL STATEMENT
relating to

$20,465,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
(A political subdivision of the State of Texas located within Harris County, Texas)

Unlimited Tax Road Bonds
Series 2023

INTRODUCTION

The Official Statement provides certain information in connection with the issuance of the Harris County Municipal Utility District No. 502 (the "District") Unlimited Tax Road Bonds, Series 2023 (the "Bonds").

The Bonds are issued pursuant to the Constitution and laws of the State of Texas (the "State"), particularly Chapters 49 and 54, Texas Water Code, an election held within the District, and pursuant to an order (the "Bond Order"), adopted by the Board of Directors of the District, a political subdivision of the State located within the extraterritorial jurisdiction of the City of Houston, Texas in Harris County, Texas.

The Official Statement includes descriptions of the Bonds, the Bond Order, and certain information about the District and its financial condition. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request.

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations of the District and are not obligations of the State, Harris County, the City of Houston, or the Master District or any entity other than the District. The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See "THE BONDS – Source of Payment." The investment quality of the Bonds depends on the ability of the District to collect from the property owners all taxes levied against their property or, in the event of foreclosure, the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. See "Registered Owners' Remedies" and "Tax Collection Limitations" below.

The Bonds are not Contract Revenue Bonds and, accordingly, proceeds collected by the District pursuant to the Master District Contract will not be available to pay debt service on the Bonds. See "THE BONDS – Source of Payment."

Factors Affecting Taxable Values and Tax Payments

Developer's Obligations to the District: There is no commitment by or legal requirement of the Developer, or any other landowner in the District, to proceed at any particular rate or according to any specified plan with the development of land in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future construction activity in the District. Failure to construct taxable improvements on developed tracts would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "THE DISTRICT – Status of Development" and "THE DEVELOPER."

Cybersecurity: The District and their consultants are dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the District will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

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

<u>Maximum Impact on District Tax Rates</u>: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2023 Certified Taxable Assessed Valuation of the District is $879,305,663 and the July 1, 2023 Estimated Taxable Assessed Valuation of the District is $1,016,010,060 (see "SELECTED FINANCIAL INFORMATION"). After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be $2,796,287 (2025), and the Average Annual Debt Service Requirement, on a calendar year basis, will be $2,751,466 (2024 through 2048, inclusive). Assuming no increase or decrease from the 2023 Certified Taxable Assessed Valuation and no use of funds on hand, a debt service tax rate of $0.34 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and a debt service tax rate of $0.33 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the Average Annual Debt Service Requirement. Assuming no increase or decrease from the July 1, 2023 Estimated Taxable Assessed Valuation and no use of funds on hand, a debt service tax rate of $0.29 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and a debt service tax rate of $0.29 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the Average Annual Debt Service Requirement. See "DEBT SERVICE SCHEDULE" and "SELECTED FINANCIAL INFORMATION – Tax Adequacy for Debt Service." Property within the District also is subject to taxes levied by other political subdivisions. See "SELECTED FINANCIAL INFORMATION – Estimated Overlapping Debt Statement."

Contract Tax

The Master District provides certain water, sanitary sewer, drainage, parks, roads and other facilities (collectively, the "Master District Facilities") necessary to serve the Towne Lake development, including the District, in its capacity as a Participant. By execution of the Contract for Financing, Operation, and Maintenance of Regional Facilities, as amended (the "Master District Contract"), all of the municipal utility districts in Towne Lake that have entered into the Master District Contract (namely, Harris County Municipal Utility District Nos. 500, 501, 502 and 503), are obligated to pay a pro rata share of debt service on the contract revenue bonds issued by the Master District to finance the Master District Facilities (the "Contract Revenue Bonds") based upon the certified gross assessed valuation of each district. The principal amount of Contract Revenue Bonds outstanding is $159,640,000. The Master District is authorized to issue Contract Revenue Bonds in the principal amount of $754,660,000 for water, sewer, and drainage facilities and the refunding of such bonds, in the principal amount of $64,550,000 for recreational facilities and refunding of such bonds, and in the principal amount of $350,600,000 for roads and refunding of such bonds. The District is obligated to pay its pro rata share of debt service on the Contract Revenue Bonds from the proceeds of ad valorem taxes levied by the District for such purpose (the "Contract Tax") or from any other lawful source of District income. See "SELECTED FINANCIAL INFORMATION – Estimated Overlapping Debt Statement" and "SELECTED FINANCIAL INFORMATION – Contract Tax."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedure against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, 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 Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies

Pursuant to Texas law, the Bond Order provides that if the District defaults in the payment of the principal of or interest on any of the Bonds when due, or defaults in the observance or performance of any of the covenants, conditions or obligations set forth in the Bond Order, then the registered owners of the Bonds (the "Registered Owner(s)") shall be entitled to seek a writ of mandamus from a court of proper jurisdiction to compel the District to perform its obligations or levy adequate taxes to make principal or interest payments on the Bonds. Such remedy would have to be exercised upon each separate default and may prove costly, time-consuming and difficult to enforce. Furthermore, there is no trust indenture or trustee, to protect the interests of the bondholders, and all legal actions to enforce such remedies would have to be taken at the initiative of, and be financed by, the Registered Owners. The Bond Order does not provide for acceleration of maturity of the Bonds upon any default; consequently, the remedy of mandamus may have to be relied upon from year to year. Texas courts have held that districts such as the District are immune from suits for money damages under the doctrine of sovereign immunity. Further, if a judgment in such a suit could be obtained, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The rights and remedies of the Registered Owners and the enforceability of the Bonds may also be limited by bankruptcy, reorganization and other similar laws affecting the enforcement of creditor's rights generally. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

A district may not be forced into bankruptcy involuntarily.

Bankruptcy Limitation to Registered Owners' Rights

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

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

Marketability

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

Future Debt

After the issuance of the Bonds, the District will have the right to issue the remaining $53,285,000 authorized but unissued road unlimited tax bonds for the purposes of acquiring or constructing road facilities and the refunding of such bonds and the right to issue such additional bonds as may hereafter be approved by both the Board and voters of the District. All of the remaining bonds described above which have heretofore been authorized by the voters of the

District may be issued by the District from time to time as needed. The District also has the right to issue bond anticipation notes and revenue bonds without voter approval. The District is also authorized to issue $14,800,000 in recreational facility bonds including the refunding of such bonds, and $169,190,000 in water, sewer and drainage bonds including the refunding of such bonds, of which, $143,905,000 in unlimited tax water, sewer and draingage bonds remains authorized but unissued. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS – Issuance of Additional Debt – Generally" and "– Water, Sewer and Drainage and Fire-Fighting Facilities."

According to representatives of the Developer, following the issuance of the Bonds, and with respect to funds advanced by the Developer to date, the Developer will have approximately $966,000 in remaining reimbursements due from the District. If additional development occurs in the District in the future and the Developer advances additional funds, the District has entered into an agreement with the Developer to reimburse such amounts from the proceeds of future bond issues, subject to TCEQ approval of each bond issue, if applicable.

Continuing Compliance with Certain Covenants

The Bond Order contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Environmental and Air Quality Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—FIarris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties--has been designated a nonattainment area under two separate federal ozone standards: the 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.

The HGB Area is currently designated as a "severe" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20. 2027. 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 "moderate" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

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

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

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

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from smallmunicipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District's inclusion 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.

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of "waters of the United States" and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, "waters of the United States" includes only geographical features that are described in ordinary parlance as "streams, oceans, rivers, and lakes" and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection.

While the *Sackett* decision removed a great deal of uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

Changes in Tax Legislation

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

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. The District's drainage system has been designed and constructed to all current standards. See "THE SYSTEM".

Extreme Weather Events

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

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days. According to the District's engineer, there was no interruption of water and sewer service during or after the storm. According to the District's engineer, the District's system did not sustain any material damage from Hurricane Harvey.

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

The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as operations and maintenance expenses payable from ad valorem taxes.

Specific Flood Type Risks

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.

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.

Reappraisal of Property

When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property.

Tax Payment Installments

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State. 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.

THE BONDS

General

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

The Bonds will be dated the Date of Delivery (anticipated to be November 2, 2023), and will mature on the dates and in the amounts and accrue interest at the rates shown on the cover page hereof. Interest on the Bonds is payable March 1, 2024 and each September 1 and March 1 thereafter until maturity or prior redemption (each an “Interest Payment Date”). The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple of $5,000.

Paying Agent/Registrar

Principal of and semiannual interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, (the “Paying Agent/Registrar”). Provision is made in the Bond Order 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, 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.

Method of Payment of Principal and Interest

In the Bond Order, the Board has appointed the 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-only 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 Order.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied, and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Order, 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, Harris County, the City of Houston, Texas, the Master District, or any entity other than the District.

The Bonds are not Contract Revenue Bonds and, accordingly, proceeds collected by the Master District pursuant to the Master District Contract will not be available to pay debt service on the Bonds.

Authority for Issuance

The Bonds are issued pursuant to the terms and provisions of the Bond Order, Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas and an bond election held in the District. Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of the Bonds. 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.

Funds

In the Bond Order, the Road Debt Service Fund is confirmed. The proceeds from all debt service taxes levied, assessed and collected for and on account of the Bonds shall be deposited, as collected, in such fund. Accrued interest on the Bonds and six (6) months of capitalized interest shall be deposited into the Road Debt Service Fund upon receipt.

Record Date

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

No Arbitrage

The District certifies that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered, 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. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including without limitation, calculating the yield on the Bonds as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Redemption Provisions

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2030, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on September 1, 2029, or 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 less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be determined by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures, while the Bonds are in book-entry only form). If a Bond subject to redemption is in a denomination larger than $5,000, a portion of such Bond may be redeemed, but only in integral multiples of $5,000.

Mandatory Redemption: The Bonds due on September 1 in the years 2037, 2040, and 2048 (the "Term Bonds") also are subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on September 1 in the years ("Mandatory Redemption Dates") and in the amounts set forth below, at a redemption price of par plus accrued interest to the date of redemption:

Term Bond 2037 – $1,160,000

Year of Redemption	Principal Amount
2036	$575,000
2037 (maturity)	585,000

Term Bond 2040 – $1,205,000

Year of Redemption	Principal Amount
2039	$600,000
2040 (maturity)	605,000

Term Bond 2048 – $5,165,000

Year of Redemption	Principal Amount
2047	$2,520,000
2048 (maturity)	2,645,000

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

Notice of any redemption identifying the Bonds to be redeemed in whole or from time-to-time 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 from time-to-time 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 less 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 from time-to-time in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Transfer, Exchange and Registration

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 Order.

In the event the Book-Entry-Only System is discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond.

Replacement of Bonds

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

Issuance of Additional Debt - Generally

The District may issue additional bonds necessary to provide improvements and facilities, subject to TCEQ approval. The TCEQ currently does not review and approve bonds issued to fund roads.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District. See “INVESTMENT CONSIDERATIONS” – Future Debt.”

Issuance of Additional Debt

The District is authorized by statute and to design, acquire, construct, finance, and issue bonds for roads or any improvement in and thereof. At a bond election held within the District on November 4, 2014, the voters authorized the issuance of $73,750,000 in principal amount of unlimited tax bonds for the purpose of constructing and acquiring road facilities and refunding of such bonds. After issuance of the Bonds, $53,285,000 of unlimited tax bonds will remain authorized but unissued for said improvements and facilities. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional bonds or obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. Before the District could issue road bonds, approval of the bonds by the Attorney General of Texas would be required. The TCEQ does not currently have rules in place regulating the review and approval of road bond issues by districts. See “INVESTMENT CONSIDERATIONS – Future Debt.”

The District is also responsible for its share of the capital costs for arterial, collector, and thoroughfare road facilities serving the Master District Service Area (the “Regional Road Facilities”). The Master District has issued and is expected to issue Contract Revenue Bonds to finance the capital costs of designing and constructing the Regional Road Facilities serving the Master District Service Area. The District is required to pay for its share of the debt service requirements on the Contract Revenue Bonds issued by the Master District for Regional Road Facilities through the Contract Tax as described in “THE SYSTEM – The Master District Contract.”

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

Financing Water, Sewer and Drainage Facilities

At a bond election held within the District on November 4, 2014, the voters authorized the issuance of $169,190,000 principal amount of unlimited tax bonds for the purpose of constructing and acquiring water, sewer and drainage facilities and refunding of such bonds. Of that amount, $143,905,000 of such bonds remain authorized but unissued.

The District also is responsible for the capital costs for its share of water, sewer and drainage facilities (the "Regional Water, Sewer and Drainage Facilities") serving the Master District Service Area. The Master District has issued and is expected to issue Contract Revenue Bonds for the purpose of financing the Regional Water, Sewer and Drainage Facilities and for refunding purposes. The District is required to pay for its share of the debt service requirements on the Contract Revenue Bonds issued by the Master District for Regional Water, Sewer and Drainage Facilities through the Contract Tax as described in "THE SYSTEM – The Master District Contract."

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District has developed and adopted a detailed park plan, and the qualified voters in the District have authorized the issuance of $14,800,000 principal amount of unlimited tax bonds for park and recreational facilities and related refunding purposes.

Before the District could issue park/recreational bonds payable from taxes, the following actions would be required: (a) approval of the park/recreational projects and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas.

The District also is responsible for the capital costs for its share of park/recreational facilities (the "Regional Park Facilities") serving the Master District Service Area. The Master District is expected to issue Contract Revenue Bonds to finance the capital costs of designing and constructing the Regional Park Facilities. If the Master District issues

Contract Revenue Bonds for Regional Park Facilities, the District would pay for its share of the debt service requirements on the Contract Revenue Bonds issued for Regional Park Facilities through the Contract Tax as described in "THE SYSTEM – The Master District Contract."

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.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or portion of the District. If the District is annexed, the City of Houston will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the 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 Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. 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 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 Limitation to Registered Owners' Rights."

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 Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State 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, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, (b) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, 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

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee name. The District and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Direct and Indirect 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 (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent/Registrar, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent/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 the District takes no responsibility for the accuracy thereof.

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Order and summarized under "THE BONDS - Transfer, Exchange and Registration."

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

Use of Certain Terms in Other Sections of this Official Statement

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

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District or the Initial Purchaser.

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SOURCES AND USES OF FUNDS

The purpose of the first road bond issuance in the amount of $20,465,000 will be used to reimburse the Developer for contributions for certain capital costs associated with (i) paving facilities associated with Towne Lake Secs. 32, 33, 34, 35, 36, 43, 46, 50, 51, 52, 53, 54, 55, 56, 57, 61 and 63; (ii) engineering and geotechnical fees associated with the Sections in item (i); (iii) storm water compliance associated with Towne Lake Secs. 55 and 61; (iv) land acquisition costs associated with the Sections in item (i); (v) developer interest; (vi) six (6) months of capitalized interest; (vii) and to pay the costs of issuance of the Bonds.

	CONSTRUCTION COSTS	District's Share
A	District Items	
	1. Towne Lake, Section 32	
	a. Excavation, Paving and Grading	$138,709
	b. Storm Water Pollution Prevention Plan	604
	c. One-Time Only Construction Staking Service	2,819
	d. Post Construction Topographic Verfication, As-Built Survey	1,510
	Sub-Total	$143,642
	2. Towne Lake, Section 32 Partial Replat No. 1	
	a. Excavation, Paving and Grading	$114,991
	b. Storm Water Pollution Prevention Plan	325
	c. One-Time Only Construction Staking Service	1,750
	d. Post Construction Topographic Verfication, As-Built Survey	1,000
	Sub-Total	$118,066
	3. Towne Lake, Section 33	$1,057,664
	4. Towne Lake, Section 34	
	a. Excavation, Paving and Grading	$695,673
	b. One-Time Only Construction Staking Service	14,921
	c. Post Construction Topographic Verfication, As-Built Survey	4,775
	Sub-Total	$715,369
	5. Towne Lake, Section 35	
	a. Clearing and Grubbing	$38,156
	b. Excavation, Paving and Grading	888,661
	c. One-Time Only Construction Staking Service	14,840
	d. Post Construction Topographic Verfication, As-Built Survey	4,334
	Sub-Total	$945,991
	6. Towne Lake, Section 36	$526,886
	7. Towne Lake, Section 43	$1,243,891
	8. Towne Lake, Section 46	$3,027,435
	9. Towne Lake, Section 50	$1,289,250
	10. Towne Lake, Section 51	$788,684
	11. Towne Lake, Section 52	$1,087,871
	12. Towne Lake, Section 53	$871,594
	13. Towne Lake, Section 54, 56, 57, 61	$1,543,571
	14. Towne Lake, Section 55	$529,975
	15. Towne Lake, Section 63	$777,382
	16. Towne Lake, Section 63 - Construction Management	$13,332

	17. Engineering and Geotechnical Fees	
	a. Towne Lake, Section 32	$68,771
	b. Towne Lake, Section 33	80,788
	c. Towne Lake, Section 34	72,514
	d. Towne Lake, Section 35	80,049
	e. Towne Lake, Section 36	42,117
	f. Towne Lake, Section 43	77,418
	g. Towne Lake, Section 46	199,085
	h. Towne Lake, Section 50	128,086
	i. Towne Lake, Section 51	59,416
	j. Towne Lake, Section 52	115,826
	k. Towne Lake, Section 53	92,544
	l. Towne Lake, Section 54	20,815
	m. Towne Lake, Section 55	53,749
	n. Towne Lake, Section 56	25,845
	o. Towne Lake, Section 57	24,184
	p. Towne Lake, Section 61	50,673
	q. Towne Lake, Section 63	82,760
	Sub-Total	$1,274,640
	18. Storm Water Compliance	
	a. Towne Lake, Section 55	$24,245
	b. Towne Lake, Section 61	30,920
	Sub-Total	$55,165
	19. Financial Surety	$31,733
	20. Land Acquisition	$1,818,520
	NET CONSTRUCTION COSTS	$17,860,661
	NON-CONSTRUCTION COSTS	
A	Legal Fees	$613,950
B	Fiscal Agent Fees	157,325
C	Engineering Fees	64,331
D	Interests Costs	
	1. Developer Interest	582,724
	2. Capitalized Interest (6 Months)	346,720
E	Bond Discount	590,825
F	Bond Issuance Expenses	50,934
G	Attorney General Fees	9,500
H	Contingency [(a)]	188,030
	TOTAL NONCONSTRUCTION	$2,604,339
	TOTAL BOND ISSUE REQUIREMENT	**$20,465,000**

(a) Contingency represents the difference in the estimated and actual amounts of the Bond Discount and the Capitalized Interest after the sale of the Bonds.

DEBT SERVICE SCHEDULE

Year End 12/31	Outstanding Debt Service	The Bonds Principal Due 9/1	Interest Due 3/1	Interest Due 9/1	Total Principal & Interest	Total
2024	$1,297,994.98	$160,000.00	$346,719.72	$524,450.00	$1,031,169.72	$2,329,164.70
2025	1,303,987.48	455,000.00	518,650.00	518,650.00	1,492,300.00	2,796,287.48
2026	1,315,762.48	470,000.00	502,156.25	502,156.25	1,474,312.50	2,790,074.98
2027	1,326,562.48	480,000.00	485,118.75	485,118.75	1,450,237.50	2,776,799.98
2028	1,338,387.48	495,000.00	467,718.75	467,718.75	1,430,437.50	2,768,824.98
2029	1,355,264.98	500,000.00	449,775.00	449,775.00	1,399,550.00	2,754,814.98
2030	1,369,184.98	510,000.00	431,650.00	431,650.00	1,373,300.00	2,742,484.98
2031	1,386,214.98	520,000.00	420,812.50	420,812.50	1,361,625.00	2,747,839.98
2032	1,397,034.98	535,000.00	409,762.50	409,762.50	1,354,525.00	2,751,559.98
2033	1,411,934.98	550,000.00	398,393.75	398,393.75	1,346,787.50	2,758,722.48
2034	1,435,734.98	550,000.00	386,706.25	386,706.25	1,323,412.50	2,759,147.48
2035	1,448,209.98	565,000.00	374,331.25	374,331.25	1,313,662.50	2,761,872.48
2036	1,469,494.98	575,000.00	361,618.75	361,618.75	1,298,237.50	2,767,732.48
2037	1,484,113.74	585,000.00	347,962.50	347,962.50	1,280,925.00	2,765,038.74
2038	1,512,153.74	590,000.00	334,068.75	334,068.75	1,258,137.50	2,770,291.24
2039	1,528,358.74	600,000.00	320,056.25	320,056.25	1,240,112.50	2,768,471.24
2040	1,552,607.48	605,000.00	305,806.25	305,806.25	1,216,612.50	2,769,219.98
2041	1,569,713.72	620,000.00	291,437.50	291,437.50	1,202,875.00	2,772,588.72
2042	1,595,283.74	625,000.00	276,712.50	276,712.50	1,178,425.00	2,773,708.74
2043	1,618,124.98	635,000.00	261,478.13	261,478.13	1,157,956.25	2,776,081.23
2044	1,114,168.74	1,170,000.00	246,000.00	246,000.00	1,662,000.00	2,776,168.74
2045	867,450.00	1,475,000.00	216,750.00	216,750.00	1,908,500.00	2,775,950.00
2046	388,550.00	2,030,000.00	179,875.00	179,875.00	2,389,750.00	2,778,300.00
2047		2,520,000.00	129,125.00	129,125.00	2,778,250.00	2,778,250.00
2048		2,645,000.00	66,125.00	66,125.00	2,777,250.00	2,777,250.00
	$31,086,294.62	$20,465,000.00	$8,528,810.35	$8,706,540.63	$37,700,350.97	$68,786,645.59

THE DISTRICT

General

The District was created by order of the TCEQ, dated August 16, 2007. The District operates under Chapters 49 and 54 of the Texas Water Code, as amended, and other general laws of the State applicable to municipal utility districts.

Location and Acreage

The District is located approximately 24 miles northwest of the central business district of Houston, Texas, south of the intersection of SH-290 and Barker-Cypress Road. The District is located within the extra-territorial jurisdiction (ETJ) of the City of Houston and lies wholly within Harris County, Texas. The District is accessed via SH-290, exiting Barker-Cypress Road, and traveling south to Tuckerton Road, and north on Greenhouse Road or Towne Lake Parkway. The acreage of the District is 882.75 acres of land.

Authority

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of sanitary sewer; the control and diversion of storm water; the provision of roads and improvements in aid thereof; and the provision of park and recreational facilities. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities.

The District is authorized to issue its bonds to finance its road facilities, with the approval of the the Attorney General of Texas, to the extent authorized by the District's qualified voters. After the issuance of the Bonds, the District will have $53,285,000 authorized but unissued in unlimited tax bonds for the purposes of acquiring or constructing road facilities and the refunding of such bonds payable from ad valorem taxes unlimited as to rate or amount. The District is also authorized to issue $14,800,000 in unlimited tax bonds for park and recreational facilities and the refunding of such bonds and $169,190,000 for water, sewer and drainage purposes and the refunding of such bonds, of which, $143,905,000 in unlimited tax water, sewer and draingage bonds remains authorized but unissued.

Status of Development

The following chart more completely describes the status of residential development within the District as of September 1, 2023.

Subdivision Section	Platted Lots	Completed Homes Occupied	Completed Homes Unoccupied	Homes Under Construction	Vacant Lots
32	15	15	0	0	0
32RP	6	6	0	0	0
33	94	94	0	0	0
34	92	92	0	0	0
35	84	84	0	0	0
36	30	30	0	0	0
38	40	40	0	0	0
42	113	113	0	0	0
43	71	71	0	0	0
45	51	39	2	10	0
46	231	228	3	0	0
47	27	26	1	0	0
49	30	25	2	2	1
50	90	89	1	0	0
51	63	63	0	0	0
52	62	61	1	0	0
53	89	85	4	0	0
54	26	26	0	0	0
55	39	38	1	0	0
56	30	29	1	0	0
57	38	36	2	0	0
58	39	22	4	4	9
59	37	28	5	3	1
61	78	75	3	0	0
62	34	33	1	0	0
63	79	16	22	20	21
Total	1,588	1,464	53	39	32

Homebuilders

The production homebuilders active within the District are Drees Homes, Ravenna Homes, Caldwell Homes, Village Builders, Plantation Homes, David Weekley, Newmark Homes, Scott Thomas Homes, Coventry Homes, Partners in Building, Lennar Homes, and Sitterle Homes.

Lot Sale Contracts

To date, the Developer has completed all sections and is selling lots in one section within the development. The remaining lots are scheduled to be sold to certain home builders pursuant to the quarterly lot takedown schedules of executed Lot Sales Contracts. The following lists the developed sections within the District and the corresponding builders under contract therein:

Section 32 – Drees Homes, Ravenna Homes

Section 32RP – Caldwell Homes

Section 33 – Village Builders, Plantation Homes

Section 34 – David Weekley, Newmark Homes, Scott Thomas Homes

Section 35 – Drees Homes, Ravenna Homes, Scott Thomas Homes, Coventry Homes, Newmark Homes

Section 36 – David Weekley

Section 38 – David Weekley, Partners in Building

Section 42 – Caldwell Homes, Sitterle Homes, David Weekley, Partners in Building

Section 43– Coventry Homes, Newmark Homes

Section 45 – Caldwell Homes

Section 46 – David Weekley, Newmark Homes, Village Builders, Plantation Homes, Ravenna Homes, Drees Homes

Section 47 – David Weekley, Partners in Building

Section 50 – David Weekley, Newmark Homes

Section 51 – David Weekley, Ravenna Homes, Drees Homes

Section 52 – Lennar Homes, Plantation Homes

Section 53 – David Weekley, Newmark Homes

Section 54 – David Weekley, Ravenna Homes, Drees Homes

Section 56 – Village Builders, Coventry Homes

Section 57 – Village Builders, Coventry Homes

Section 61 – David Weekley, Newmark Homes

Section 62 – David Weekley

Section 63 – Beazer Homes, Highland Homes

Lots within the following sections are sold out: Sections 32, 33, 34, 36, 38, 43, 50, 52, 53, 54, 56, 57, 61 & 62.

In the event such builders fail to purchase lots in accordance with terms of the Lot Sales Contracts, the Developer's sole remedy is termination of the applicable contract and retention of earnest money.

Future Development

To date, MUD 502 has been developed as 1,588 lots (Sections 32, 32 Replat 1, 33-36, 38, 42-43, 45-47, 49-55, 56-59 and 61-63). As of August 1, 2023, there were 1,464 occupied homes, 53 unoccupied homes, 39 homes under construction, and 32 vacant, developed lots. MUD 502 has 499 developed acres, approximately 72 acres undeveloped but developable and approximately 312.3 acres that are undevelopable. The District cannot make any representation that any future development will occur within the District. In the event that future development does occur in the District, it is anticipated that the development costs will be financed through the sale of future bond issues.

THE DEVELOPER

Role of a Developer

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the land plan, designing the utilities and streets to be constructed, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the Commission, as well as gas, telephone and electric service) and selling commercial reserves to builders, developers, or other third parties. In certain instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage facilities in a municipal utility district pursuant to the rules of the Commission. The relative success or failure of a developer to perform such activities in development of the property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

The Developer

CW SCOA West L.P. ("CW SCOA West" or the "Developer") is a Texas limited partnership whose general partner is CW SCOA West, GP, L.L.C. The general partner is controlled by Caldwell Companies, a developer of residential communities in Northwest Houston. The largest limited partnership interest (90%) is held by an American investment subsidiary of the Sumitomo Corporation of Japan. Caldwell Companies has completed over 3,500 lots in several Northwest Houston communities including Bridlecreek, Rock Creek, Spring Creek Ranch, Wimbledon Falls, Wincrest Falls (including Towne Lake), The Highlands, and Chambers Creek. Caldwell Companies also develops commercial/retail projects. Its latest projects are Towne Lake Boardwalk with 162,200 square feet (in the Service Area) and Cypress Crossing with approximately 30,000 square feet, both located in Harris County.

According to representatives of the Developer, following the issuance of the Bonds, and with respect to funds advanced by the Developer to date, the Developer will have $966,000 in remaining reimbursements due from the District. If future development occurs in the District and the Developer advances additional funds, the District has entered into an agreement with the Developer to reimburse such amounts from the proceeds of future bond issues, subject to TCEQ approval of each bond issue, if applicable.

Development Financing

Development of the 2,400-acre Towne Lake project (a portion of which is located outside the approximate 2,123.59-acre Service Area) is provided through equity contributions of the partners totaling approximately $39.4 million and a $5 million revolving line of credit provided by Texas Capital Bank, acting as sole lender. Approximately $5 million dollars are available to draw on the line of credit. All of the proceeds of the Bonds that are payable to the Developer are pledged in their entirety to the bank lenders. According to the Developer it is in compliance with all material terms of its loan agreement. The revolving line of credit matures on December 15, 2023 and any outstanding balance will be paid in full. According to the Developer, during the term of the revolving line of credit, it remained in compliance with all material terms of its loan agreement.

THE SYSTEM

The Master District Contract

The District, Harris County Municipal Utility District No. 500 ("MUD 500", or the "Master District"), Harris County Municipal Utility District No. 501 ("MUD 501"), and Harris County Municipal Utility District No. 503 ("MUD 503") (collectively or individually referred to as "Participant(s)"), have executed the Master District Contract with the Master District as Participants, and each has obtained the approval of the Master District Contract from its voters at an election held within its boundaries.

The Master District Contract provides that all Participants shall pay a pro rata share of debt service on the Contract Revenue Bonds issued by the Master District for the Master District Facilities based upon each Participant's Certified Appraised Value, as defined in the Master District Contract, as a percentage of the Certified Appraised Value of all the Participants, calculated annually. Each Participant is obligated to pay its pro rata share of the Contract Revenue Bonds annual debt service payments from the proceeds of an annual ad valorem Contract Tax, without legal limit as to rate or amount, revenues derived from the operation of its water distribution and wastewater collection system or from any other legally available funds. The contract payments shall be calculated to include the charges and expenses of paying agents, registrars and trustees utilized in connection with the Contract Revenue Bonds, the principal, interest and redemption requirements of the Contract Revenue Bonds and all amounts required to establish and maintain funds established under the Contract Revenue Bond documents entered into by the Master District. Each Participant's contract payments will be calculated annually by the Master District; however, the levy of a Contract Tax or the provisions of other funds to make its contract payments is the sole responsibility of each Participant.

Pursuant to the Master District Contract, the Master District is authorized to issue Contract Revenue Bonds in the principal amount of $754,660,000 for water, sewer, and drainage facilities and refunding of such bonds, $635,655,000 remains unissued, in the principal amount of $64,550,000 for recreational facilities and refunding of such bonds, $52,870,000 of which remains unissued, and in the principal amount of $350,600,000 for road facilities and refunding of such bonds, $302,130,000 of which remains unissued. See "INVESTMENT CONSIDERATIONS – Contract Tax."

The Master District Contract also provides for operation and maintenance expenses for facilities constructed pursuant to the Master District Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions.

The Master District owns and operates the Master District Facilities, except for roadways that are accepted by Harris County, Texas, ("County"), for operation and maintenance by the County. Each Participant (including the District in its capacity as provider of internal facilities to serve the acreage within the District's boundaries) will own and operate its internal facilities. The internal facilities have been or are expected to be financed with unlimited tax bonds sold by each of the Participants, including the District. It is anticipated that the Master District Facilities will be constructed in stages to meet the needs of a continually expanding population within the Master District Service Area. In the event that the Master District fails to meet its obligations under the Master District Contract to provide regional water, sanitary sewer and drainage facilities, each Participant has the right pursuant to the Master District Contract to design, acquire, construct, or expand such facilities to provide it with service, and convey such facilities to the Master District in consideration of payment by the Master District of the actual and reasonable necessary capital costs expended by it for such facilities.

Each Participant is further obligated to pay monthly charges to the Master District for water and sewer services rendered pursuant to the Master District Contract. The monthly charges to be paid by each Participant to the Master District will be used to pay its share of operation and maintenance expenses to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses, and, if approved by all Participants, to pay for capital costs of Master District Facilities. Each Participant's share of operation and maintenance expenses and reserve requirements is based upon a "unit cost" of operation and maintenance expense and reserve requirements, calculated by the Master District and expressed in terms of "cost per equivalent single-family residential connection." Each Participant's monthly payment to the Master District for operation and maintenance expenses will be calculated by multiplying the number of equivalent single-family residential connections reserved to it on the first day of the previous month by the unit cost per equivalent single-family residential connection. The monthly cost per single family equivalent connection being charged by the Master District to each Participant is $30.00, effective April 1, 2023. Fees charged by the West Harris County Regional Water Authority are passed through separately to the Participants.

Pursuant to the Master District Contract each Participant is obligated to establish and maintain rates, fees and charges for its water and wastewater services which, together with taxes levied and funds received from any other lawful sources, are sufficient at all times to pay operation and maintenance expenses, and obligations pursuant to the Master District Contract, including its pro rata share of the Master District's debt service requirements and monthly charges. All sums payable by each Participant to the Master District pursuant to the Master District Contract are to be paid by such Participant without set off, counterclaim, abatement, suspension or diminution. If any Participant fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District's facilities by such Participant in addition to the Master District's other remedies pursuant to the Master District Contract. As a practical matter, the Participants have no alternative provider of the water and wastewater services rendered by the Master District under the Master District Contract.

Master District Facilities

Water Facilities: The Master District is responsible for planning and providing major water facilities to the Participants within its Service Area. The potable water supply facilities constructed by or on behalf of the Master District and being operated by the Master District ("Water Supply Facilities") currently consist of two water plants, 1,600,000 gallons of combined ground storage capacity, 8,425 gallons per minute ("gpm") of combined booster pump capacity, pressure tank capacity of 30,000 gallons, and all related appurtenances. With proceeds of bonds previously issued by the Master District, the Master District purchased the Water Supply Facilities from the entity that was leasing the facilities to the Master District. The major components of the Master District's Water Supply Facilities have the combined capacity to serve approximately 6,000 equivalent single-family connections ("ESFCs"). According to the Master District's Engineer, the Master District has a current reserved capacity of 4,573 ESFCs for the Participants and 3,913 ESFC's are being served by the Water Supply Facilities.

The Master District has completed the expansion to Water Plant No. 1. Water Plant No. 1 has 1,000,000 gallons of ground storage capacity and 6,475 gpm of booster pump capacity. Water Plant No. 1 has the capacity to serve approximately 5,000 ESFCs.

The Master District has completed Water Plant No. 2. Water Plant No. 2 has 600,000 gallons of ground storage capacity and 1,950 gpm of booster pump capacity. Water Plant No. 2 has the capacity to serve approximately 1,000 ESFCs.

The Master District is within the boundaries of the West Harris County Regional Water Authority (the "Authority") and receives surface water from the Authority. The Master District then delivers surface water to its Service Area. The Master District currently does not own or operate any groundwater wells. However, the Master District's Board has authorized design of Water Well No. 1, to be located at Water Plant No. 1 site. Construction of Water Well No. 1 is in progress and is expected to be completed by approximately May 2023. The Master District has two emergency water interconnects, with Harris County Municipal Utility District No. 172 and with Remington Municipal Utility District No. 1. In June 2020, the District entered into an emergency interconnect agreement with Harris County Municipal Utility District No. 196. The Board authorized design of the interconnect in July 2020 and construction of the interconnect is substantially complete.

The Authority has completed the design of a 12" water line that will provide additional water capacity to Water Plant No. 2. The construction of this 12" line is complete and recently was connected to Water Plant No. 2.
In order to fully provide water supply to the Service Area, additional Water Supply Facilities will need to be constructed from time to time to meet the water demands of the Service Area. By reserving capacity to the Participants, the Master District assumes the responsibility to expand facilities as needed to provide service for reserved connections as they become active.

In addition, the Master District owns and operates a non-potable water system that includes detention ponds used to supply non-potable water for irrigation.

Wastewater Treatment: The Master District is responsible for planning and providing major wastewater collection and treatment facilities to the participants within its Service Area. The wastewater treatment facilities constructed by or on behalf of the Master District and being operated by the Master District (the "Wastewater Treatment Facilities") currently consist of one plant ("Wastewater Plant No. 1") with a total capacity of 750,000 gallons per day ("GPD"). Current wastewater treatment capacity at Wastewater Plant No. 1 will serve 4,076 ESFCs. According to the Master District's Engineer, the Master District has reserved capacity for 4,076 ESFCs for the Participants and approximately 3,713 ESFCs are being served by the Wastewater Treatment Facilities.

The Master District owns the first phase (160,000 GPD), the second phase (160,000 GPD), and the third phase (430,000, for a total of 750,000 GPD) of the Wastewater Plant No. 1.

In order to fully provide wastewater treatment for the Service Area, the Wastewater Treatment Facilities will need to be expanded from time to time to meet the wastewater treatment demands of the Service Area. By reserving capacity to the Participants, the Master District assumes the responsibility to expand facilities as needed to provide service for reserved connections as they become active. The phase four expansion of Wastewater Plant No. 1 is currently under design, with construction expected to begin in approximately February 2024. When complete, the expansion will provide additional capacity of 250,000 GPD, which will have the capacity to serve an additional 1,358 ESFCs. Wastewater Plant No. 2 is currently in the construction phase. When operational, Wastewater Plant No. 2 will have a capacity of 0.14 MGD, which will have capacity to serve 466 ESFCs. The Wastewater Plant No. 2 is expected to be completed and operational in approximately November 2023.

Master Drainage: The Master District also provides the Service Area with drainage facilities, which include drainage channel facilities, detention pond facilities, and conveyance storm sewer lines ("Storm-Water Drainage Facilities"). The Master District is responsible for operation and maintenance of the Storm-Water Drainage Facilities. The Service Area drains to Horsepen Creek and Cypress Creek. The Harris County Flood Control District ("HCFCD") is responsible for maintenance of Horsepen Creek and Cypress Creek.

Conveyance of sheet flow runoff to the storm sewer is supplemented by a system of curb, gutter, and street inlets. The Master District has entered into a Regional Water Treatment and Drainage and Detention Agreement with Harris County Municipal Utility District No. 172 ("MUD 172") for joint development and maintenance of drainage and detention facilities, whereby the Master District operates certain detention facilities and MUD 172 is responsible for its share of costs attributable to these facilities.

Internal Water Distribution, Wastewater Collection, and Storm Drainage Facilities: Internal water distribution, wastewater collection and storm drainage facilities have been constructed, are being constructed, or will be constructed by the Participants. The Participants' systems tie into the Master District's systems.

100-Year Flood Plain

According to the Engineer, all improvements or development in the Service Area that lie within the FEMA 100-year flood plain according to Federal Emergency management Agency Flood Insurance Rate map Nos. 48201CO405M and 48201CO415M have been raised above the 500-year flood plain elevation and are in process or scheduled to be removed from the FEMA 100-year flood plain by way of LOMR or LOMR-F. The boundaries of the District currently contains approximately 198 Acres within the 100-year flood plain. When areas within the 100-year flood plain are developed, they are built according to the requirements of local government agencies, including the Harris County Public Infrastructure Department, the Harris County Flood Control District, and the City of Houston Engineering Department, as required. See "INVESTMENT CONSIDERATIONS – 100-Year Flood Plain."

Atlas 14

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 with the Service Area may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the Service Area. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Subsidence and Surface Water Supply

The Master 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 land within the Service Area. 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 Master District's Service Area is located within the boundaries of the Authority. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The Master District receives surface water from the Authority. If the Master District were to construct any groundwater well(s), such wells would be included within the Authority's GRP and subject to the groundwater pumpage fees described below.

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, user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users to convert from groundwater to surface water. The Authority currently charges the Master District, and other surface water users, a fee per 1,000 gallons based on the amount of surface water received by the Master District from the Authority. The Authority charges groundwater users a fee per 1,000 gallons based on the amount of groundwater pumped. 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 through 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 per 1,000 gallons ("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 Master District. If the Master District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the Master District.

The District cannot predict the amount or level of fees and charges, which may be due to the Authority in the future. The District passes such fees through to customers through higher water rates. 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.

Regulation

According to the Master District's Engineer, the Water Supply Facilities, the non-potable water supply facilities, the Wastewater Treatment Facilities, and the Storm-Water Drainage Facilities constructed by the Master District (the "System") have been designed in accordance with accepted engineering practices and applicable requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City of Houston and Harris County. According to the Master District's Engineer, the design of the System has been approved by all required governmental agencies and the TCEQ, as applicable.

According to the District's Engineer, the District's internal Water Supply Facilities, Wastewater Facilities, and Storm-Water Drainage Facilities constructed by the District (the "Internal System") have been designed in accordance with accepted engineering practices and applicable requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City of Houston and Harris County. According to the Master District's Engineer, the design of the System has been approved by all required governmental agencies and the TCEQ, as applicable.

Operation of the System is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

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DISTRICT BONDS AUTHORIZED BUT UNISSUED

Date of Authorization	Purpose	Authorized	Issued To Date		Amount Unissued
11/04/2014	Water, Sewer, Drainage & Refunding	$169,190,000	$25,285,000		$143,905,000
11/04/2014	Recreation & Refunding	14,800,000	0		14,800,000
11/04/2014	Road & Refunding	73,750,000	20,465,000	(a)	53,285,000

(a) Includes the Bonds.

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2023 Certified Assessed Valuation	$879,305,663	(a)
July 1, 2023 Estimated Assessed Valuation	$1,016,010,060	(b)
Direct Debt Outstanding (including the Bonds)	$43,515,000	
Ratio of Direct Debt to:		
2023 Certified Assessed Valuation	4.95%	
July 1, 2023 Estimated Assessed Valuation	4.28%	

Area of District: 882.75 acres

(a) The 2023 Certified Taxable Assessed Value includes the current certified portion as provided by Harris Central Appraisal District ("HCAD"). See "TAXING PROCEDURES."

(b) Provided by the HCAD for informational purposes only. This amount is an estimate of the assessed valuation of all taxable property located within the District as of July 1, 2023, and includes an estimate of valuations resulting from the construction of taxable improvements from January 1, 2023, through July 1, 2023. No taxes will be levied against this amount. See "TAXING PROCEDURES."

Total Outstanding Bonds

Date of Issue		Series	Original Amount	Outstanding	
07/01/2017		2017	$2,440,000	$2,090,000	
03/01/2018		2018	5,400,000	4,730,000	
05/01/2019		2019	4,500,000	4,020,000	
03/31/2020		2020	7,045,000	6,580,000	
04/29/2021		2021	5,900,000	5,630,000	
11/02/2023	(a)	2023	20,465,000	20,465,000	(a)
			$45,750,000	$43,515,000	

(a) The Bonds, expected to close on November 2, 2023.

Cash and Investment Balances

General Fund Balance (as of August 2, 2023)	$4,308,500	
Capital Projects Fund Balance (as of August 2, 2023)	$1,609,166	
Water, Sewer and Drainage Debt Service Fund Balance (as of August 2, 2023)	$3,787,156	(a)
Road Debt Service Fund Balance (Capitalized Interest from Bond Proceeds)	$346,720	(a) (b)
Contract Tax Fund (as of August 2, 2023)	$6,500,175	

(a) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the debt service fund.

(b) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on an equal basis, a pro rata portion of the District's ad valorem tax revenue will be allocated to the bonds and sold for road facilities and a pro rata portion will be allocated to the bonds sold for water, sewer and drainage facilties.

Estimated Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed, unless otherwise indicated, from information contained in "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 is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Body (a)	Direct Debt	As of	Percent Overlapping Direct Debt	Overlapping Direct Debt
Cypress-Fairbanks ISD	$3,549,625,000	07/31/2023	0.77%	$27,332,113
Harris Co	1,770,442,125	07/31/2023	0.09%	1,593,398
Harris Co Dept of Ed	13,865,000	07/31/2023	0.09%	12,479
Harris Co Flood Control Dist	1,009,015,000	07/31/2023	0.09%	908,114
Harris Co Hosp Dist	70,970,000	07/31/2023	0.09%	63,873
Lone Star College Sys	584,565,000	07/31/2023	0.21%	1,227,587
Pt of Houston Auth	445,749,397	07/31/2023	0.09%	401,174
Harris Co MUD 500 (Mstr) (b)	159,640,000	07/31/2023	44.04%	70,298,649
Total Overlapping Debt:				$101,837,385
The District: (c)				$43,515,000
Total Direct and Overlapping Debt: (c)				$145,352,385
Total Direct and Overlapping Debt Percent of AV:				16.53%
Total Direct and Overlapping Debt Percent of EOV:				14.31%
Direct and Overlapping Debt per Capita: (d)				$28,367

(a) Taxing jurisdictions with outstanding debt.
(b) Based on the District's pro rata share of Master District's debt service for calendar year 2023. See "THE SYSTEM – The Master District Contract."
(c) Includes the Bonds.
(d) Based upon 3.5 residents per occupied single-family residential home the estimated population is 5,124.

Overlapping Taxes for 2022

Overlapping Entity	2022 Tax Rate per $100 AV
Cypress-Fairbanks ISD	$1.29480
Harris County	0.34373
Harris Co Dept of Ed	0.00490
Harris Co Flood Control Dist	0.03055
Harris Co Hosp Dist	0.14831
Lone Star College System	0.10780
The District	1.18000
Total	$3.11009

Classification of Assessed Valuation

The following represents the type of property comprising the 2019 through 2023 tax rolls:

	2023 Assessed Valuation (a)	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation	2019 Assessed Valuation
Land	$182,230,795	$169,650,495	$154,475,944	$123,766,186	$106,035,605
Improvements	825,487,664	604,798,200	397,132,054	284,816,991	184,245,046
Personal Property	5,063,918	5,856,330	3,422,658	3,323,198	1,502,122
	$1,012,782,377	$780,305,025	$555,030,656	$411,906,375	$291,782,773
Exemptions	(133,476,714)	(26,465,371)	(12,059,334)	(13,476,890)	(8,067,158)
Total	$879,305,663	$753,839,654	$542,971,322	$398,429,485	$283,715,615

(a) The 2023 Certified Taxable Assessed Value includes the current certified portion as provided by Harris Central Appraisal District ("HCAD"). See "TAXING PROCEDURES."

Tax Collections

The following statement of tax collections reflects the historical tax collection experience of the District. Such summary has been prepared for inclusion herein based upon information from District audits and records of the District's Tax assessor/Collector. Reference is made to such audits and records for further and complete information. See "Classification of Assessed Valuation" above.

				Collections as of Tax Year End		Collections Through July 31, 2023	
Tax Year	Assessed Valuation	Tax Rate	Adjusted Levy	Amount	%	Amount	%
2018	$197,684,149	$1.500	$2,965,259	$2,937,289	99.06%	$2,965,259	100.00%
2019	283,715,615	1.500	4,255,712	4,158,733	97.72%	4,255,712	100.00%
2020	398,429,485	1.480	5,875,363	5,849,521	99.56%	5,874,434	99.98%
2021	542,971,322	1.380	7,331,863	7,316,402	99.79%	7,312,699	99.74%
2022	753,839,654	1.180	8,962,129	(a)	(a)	8,867,625	98.95%

(a) In process of collection.

District Tax Rate

	2022	2021	2020	2019	2018
Debt Service Fund	$0.29	$0.28	$0.50	$0.35	$0.36
Maintenance & Operation	0.15	0.20	0.18	0.27	0.19
Contract Tax [(a)]	0.74	0.90	0.80	0.88	0.95
Total	$1.18	$1.38	$1.48	$1.50	$1.50

(a) The Contract Tax is not available to be debt service on the Bonds.

Tax Rate Limitation

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

Principal Taxpayers

The following list of top ten principal taxpayers was provided by the Municipal Advisory Council of Texas, which reflect ownership as of January 1 of each year. Ownership changes since January 1, 2022 are not known to the District.

Taxpayer	Property Type	2022	2021
CW Scoa West LP	Developer	$10,914,163	$13,432,421
Weekley Homes LLC	Homebuilder	7,699,031	8,852,118
Newmark Homes Houston LLC	Homebuilder	5,330,176	5,617,567
Caldwell Homes Texas LP	Homebuilder	5,317,573	4,462,915
Lennar Homes of Texas	Homebuilder	5,056,405	-
DFH Coventry LLC	Homebuilder	4,306,555	-
Towne Lake Community Assoc. Inc.	Residential Land	3,058,746	2,723,346
Avnee LP	Day Care Center	2,654,692	2,378,535
Partners in Building LP	Homebuilder	2,136,437	3,351,049
Homeowner	Individual Residence	1,884,923	1,713,567
MHI Partnership Ltd.	Homebuilder	-	2,913,138
Ravenna Homes LLC	Homebuilder	-	2,648,409
Total		$48,358,701	$48,093,065
Percent of Taxable Value		6.41%	8.86%

Debt Service Tax

The Board covenants in the Bond Order 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. See "District Tax Rate" and "Classification of Assessed Valuation" above, and "TAXING PROCEDURES."

Contract Tax

The Master District has the statutory authority and voter authorization of each of the Participants, including the District, to issue Contract Revenue Bonds. Each Participant's pro rata share of the debt service requirements on the Contract Revenue Bonds is determined by dividing each Participant's gross certified assessed value by the total of all the Participants' gross certified assessed valuation. The Master District Contract obligates each Participant to pay its pro rata share of debt service requirements on the Contract Revenue Bonds from the proceeds of an annual unlimited Contract Tax, from revenues derived from the operation of its water distribution and wastewater collection system, or from any other legally available funds. The debt service requirement includes principal, interest and redemption requirements on the Contract Revenue Bonds, paying agent/registrar fees, and all amounts necessary to establish and maintain funds established under the bond documents pursuant to which the Master District's Contract Revenue Bonds are issued.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the bonds issued by the District. An election was held within the District on November 6, 2007, which authorized the levy of a maintenance tax not to exceed $1.50/$100 of assessed valuation. At an election held within the District on November 4, 2008, voters authorized the Board to levy a maintenance tax for operations and maintenance costs of road facilities at a rate not to exceed $0.25 per $100 of assessed valuation.

Additional Penalties

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

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2023 Certified Taxable Assessed Valuation and Estimated Taxable Assessed Valuation at July 1, 2023, and utilize tax rates adequate to service the District's total proposed debt service requirements on the Bonds. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments – Maximum Impact on District Tax Rates."

Average Annual Debt Service Requirements including the Bonds (2024 through 2048)	$2,751,466
$0.33 Tax Rate on 2023 Certified Assessed Valuation of $879,305,663 @ 95% collections produces	$2,756,623
$0.29 Tax Rate on July 1, 2023 Estimated Assessed Valuation of $1,016,010,060 @ 95% collections produces	$2,799,108
Maximum Annual Debt Service Requirements including the Bonds (2025)	$2,796,287
$0.34 Tax Rate on 2023 Certified Assessed Valuation of $879,305,663 @ 95% collections produces	$2,840,157
$0.29 Tax Rate on July 1, 2023 Estimated Assessed Valuation of $1,016,010,060 @ 95% collections produces	$2,799,108

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OPERATING STATEMENT

Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's system. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements for the fiscal year ending March 31, 2018 through 2022. Reference is made to such statements for further and more complete information.

	Fiscal Year Ended March 31				
Revenues	2022 (a)	2021 (a)	2020 (a)	2019 (a)	2018 (a)
Property Taxes	$1,063,302	$733,180	$767,361	$364,617	$211,713
Water Service	568,907	458,651	344,487	217,057	161,666
Wastewater Service	440,589	335,375	245,110	156,899	82,871
Water Authority Fees	612,872	545,982	379,926	202,196	150,621
Penalty and Interest	11,557	10,710	9,277	7,534	5,742
Tap and Inspection Fees	469,755	302,140	304,420	314,660	287,865
Misc. Revenues	999	18,521	22,585	16,634	9,429
	$3,167,981	$2,404,559	$2,073,166	$1,279,597	$909,907
Expenditures					
Professional Fees	$139,494	$127,967	$135,517	$122,233	$142,719
Contracted Services	364,537	251,295	187,977	132,783	70,065
Purchased Water	463,401	412,216	405,450	564,000	463,725
Water Auth Assessments	593,736	479,581	362,349	-	-
Repairs and Maintenance	74,513	66,049	79,972	56,929	28,887
Other	299,200	249,744	217,634	217,311	186,289
Total	$1,934,881	$1,586,852	$1,388,899	$1,093,256	$891,685
Other Financing Sources/Uses					
Transfers In (Out)	-	-	-	(34,000)	(9,800)
Developer Advances	-	-	-	-	85,000
	$0	$0	$0	(34,000)	$75,200
Net Change in Fund Balance	$1,233,100	$817,707	$684,267	$152,341	$93,422
Fund Balance Beginning of Year	$1,783,399	$965,692	$281,425	$129,084	$35,662
Fund Balance End of Year	$3,016,499	$1,783,399	$965,692	$281,425	$129,084

(a) From the District's audited annual financial reports.

MANAGEMENT

Board of Directors

The current directors of the District are listed below:

Name	Title	Term Expires
Andrew Peeples	President	May 2026
Brian Thomas	Vice President	May 2026
Johnny Suppatkul	Secretary	May 2024
Reginald Smith	Assistant Secretary	May 2024
John Schleier	Director	May 2026

Tax Assessor/Collector

Land and improvements in the District are being appraised for taxation by the Harris Central Appraisal District. Bob Leared Interests Incorporated currently serves the District as Tax Assessor/Collector.

Operator of Water and Sewer Facilities

The District's water and sewer system is operated by Environmental Development Partners.

Bookkeeper

Myrtle Cruz, Inc. acts as bookkeeper for the District.

Engineer

The consulting engineer for the District is EHRA, Inc.

Bond Counsel/General Counsel

The District has engaged Smith, Murdaugh, Little & Bonham, LLP, Houston, Texas as general counsel to the District for matters unrelated to the Bonds and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. See "LEGAL MATTERS."

Financial Advisor

The District has employed the firm of RBC Capital Markets, LLC as financial advisor to the District. Payment to the Financial Advisor by the District is contingent upon the issuance, sale and delivery of the Bonds. The Financial Advisor is employed by the District. The Financial Advisor is not obligated to undertake, and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement that has been supplied or provided by third parties.

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. A copy of the District's audit prepared by McCall Gibson Swedlund Barfoot PLLC for the fiscal year ended March 31, 2022 is included in "APPENDIX A" to this official Statement.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds and any additional bonds payable from taxes 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 Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS – Source of Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its system and for the payment of certain contractual obligations (such as the Contract Tax). See "SELECTED FINANCIAL INFORMATION – Contract Tax" and "– Maintenance Tax."

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State, 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 an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Harris Central 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 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; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. For tax years 2020, 2021, 2022 and 2023, the District granted an exemption of $5,000 for persons 65 years of age or older and certain disabled persons. The District may be required to offer such exemptions if a majority of voters approve the same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between $5,000 and $12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. Effective January 1, 2016, 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, effective January 1, 2016, 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. Effective January 1, 2018, a partially disabled veteran or the surviving spouse of a partially disabled veteran, if such spouse has not remarried since the death of the disabled veteran and the property was the residence homestead of the surviving spouse when the disabled veteran died and remains the residence homestead of the surviving spouse, is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated to the disabled veterans by a charitable organization at no cost to the disabled veteran, or at some cost to the disabled veteran in the form of a cash payment, a mortgage, or both in an aggregate amount that is not more than 50% of the good faith estimate of the market value of the residence homestead made by the charitable organization as of the date the donation is made. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. Also, the surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residences homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. Also, the surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residences homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. Effective January 1, 2018, the surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the first responder's death and said property was the first responder's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. Additionally, the owner of a residential homestead property who is a person sixty-five (65) years of age or older or disabled is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. See "SELECTED FINANCIAL INFORMATION – Classification of Assessed Valuation."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to one (1) percent 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 by July 1.

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 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. Such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has not taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Harris County or the City of Houston may designate all or part of the District as a reinvestment zone. Thereafter, Harris County, the City of Houston, and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised 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 agreement. 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 five (5) years. 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.

Reappraisal of Property after Disaster

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

Tax Payment Installments after Disaster

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

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 of 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. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. 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, may be rejected. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead, if the person 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 equal 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 that is a person sixty-five (65) years of age or older, disabled, or a disabled veteran entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

Voter-Approval of Tax Rate

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

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

Developed Districts: Developed Districts that (i) adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, and (ii) the proposed maintenance and operations tax rate would impose more than 1.035 times the amount of operations and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in that year, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a 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 imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the tax year 2022, the Board classified the District's status as developing. 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 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 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 "SELECTED FINANCIAL INFORMATION – Overlapping Taxes 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. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years for residential homestead or 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. In addition, a person 65 or older may defer or abate a suit to collect delinquent taxes on the person's residence homestead. See "INVESTMENT CONSIDERATIONS – General" and "– Tax Collection Limitations."

LEGAL MATTERS

Legal Proceedings

The District will furnish the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds. Such transcript will include a copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the comptroller of Public Accounts of the State, to the effect that the Bonds are valid and binding obligations of the District, payable from the levy of ad valorem taxes without limitation as to rate or amount. The District will also furnish the legal opinion of Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Texas Constitution and laws of the State. The legal opinion of Bond Counsel will further state that the bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, against taxable property within the District and that interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes as further described in "TAX MATTERS" below. The opinion of

Bond Counsel is expected to be reproduced on the back panel of the Bonds over a certification of the secretary of the Board of Directors of the District attesting that such legal opinions were dated as of the date of delivery of and payment for the Bonds and are true and correct copies of the original opinions. Errors or omissions in the printing of such legal opinion on the Bonds shall not affect the validity of the Bonds nor constitute cause for the failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by both the President or Vice President and Secretary or Assistant 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 non-encumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

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 Official Statement.

TAX MATTERS

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). However, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

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

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, taxpayers qualifying for the health- insurance premium assistance credit, foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

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

State, Local and Foreign Taxes

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

Not Qualified Tax-Exempt Obligations

The Bonds are not "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended.

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") may be 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 a Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.

The foregoing is based on the assumptions that (a) the 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.

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

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 effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser" or "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of 97.112999% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 5.126408% as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

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

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME-TO-TIME BY THE INITIAL PURCHASER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING 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 WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The District has no control over 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 secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission 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

The District has made application to Moody's for an underlying rating on the Bonds and Moody's has assigned a rating of "Baa1" (positive outlook). The District will pay the cost of the Moody's rating associated with the underlying rating of the Bonds. An explanation of the rating may be obtained from Moody's. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by Moody's, if in its judgement, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Additionally, it is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") will assign a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). An explanation of the rating may be obtained from S&P. See "MUNICIPAL BOND INSURANCE."

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 an exhibit 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 https://www.spglobal.com/en/. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $486.0 million, $204.5 million and $281.5 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 pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

MUNICIPAL BOND INSURANCE RISK FACTORS

In the event the bond insurer (the "Bond Insurer") becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

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

Neither the District or the Initial Purchaser has made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

OFFICIAL STATEMENT

Consultants

In approving this Official Statement, the District has relied upon the following consultants in addition to the Financial Advisor. Each consultant has consented to the use of the information provided by such firms.

The Engineer: The information contained in this Official Statement relating to engineering and to the description of the System has been provided by EHRA, Inc. and has been included in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District & Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the historical certified taxable assessed valuations has been provided by the Harris Central 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 within the boundaries of the District. The information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the District's assessed valuations and certain other historical data concerning tax rates and tax collections has been provided by Bob Leared Interests Incorporated and is included herein in reliance upon the authority of same as an expert in assessing property values and collecting taxes.

Auditor: The District's financial statements are audited by McCall Gibson Swedlund Barfoot PLLC, and the District's Audited Financial Statements as of March 31, 2022, have been included as "APPENDIX A."

Certification as to Official Statement

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

Updating of Official Statement

If, subsequent to the date of the Official Statement, 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 in writing on or before such date that fewer than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB through its EMMA system.

The information to be updated 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 "SELECTED FINANCIAL INFORMATION," "DEBT SERVICE SCHEDULE," and "APPENDIX A" (the Audit). 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.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 ("Rule") of the United State Securities and Exchange Commission ("SEC"). The updated information will include audited financial statements if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is 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.

Specified Event Notices

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders 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 within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, 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 (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations) of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

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

Compliance with Prior Undertakings

During the past five years, the District has complied in all material respects with its previous continuing disclosure undertakings made in accordance with SEC Rule 15c2-12.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to 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 holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Order 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.

MISCELLANEOUS

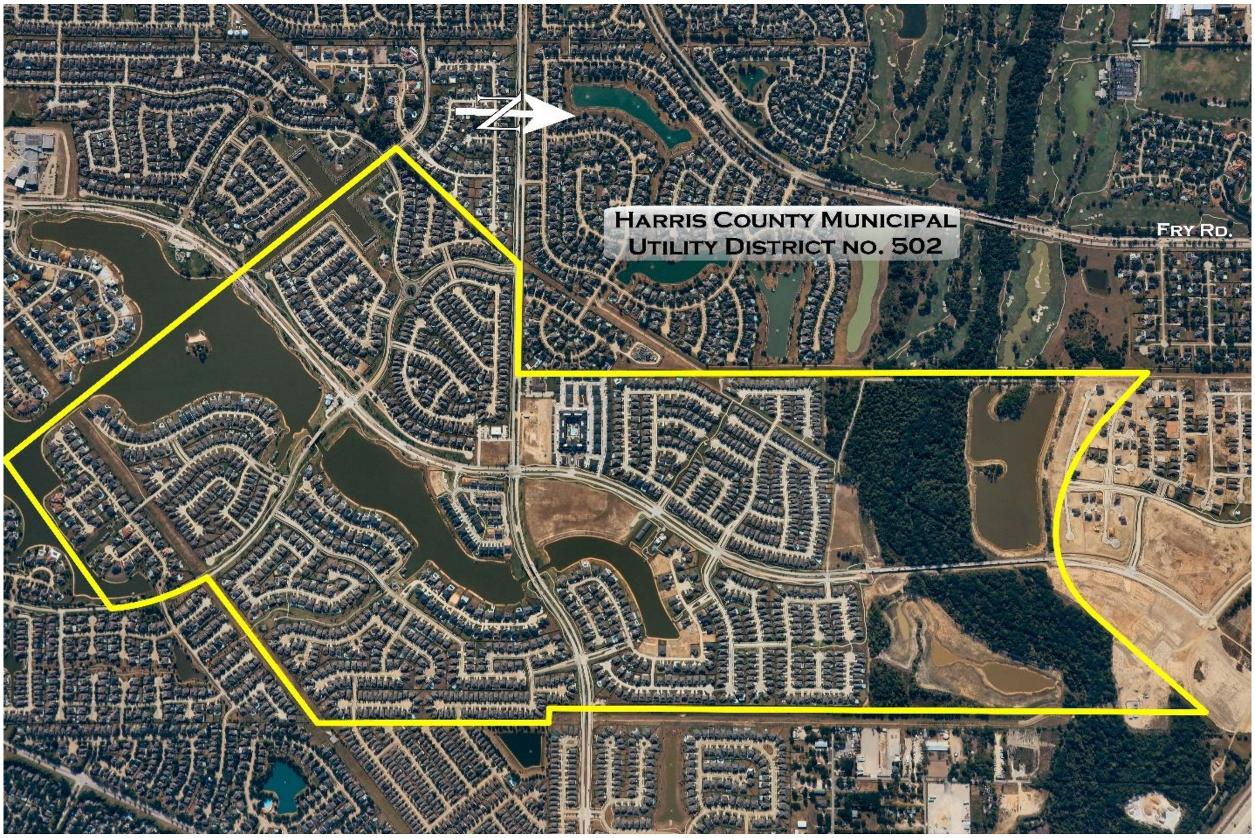
All estimates, statements and assumptions in this OFFICIAL STATEMENT and APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly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

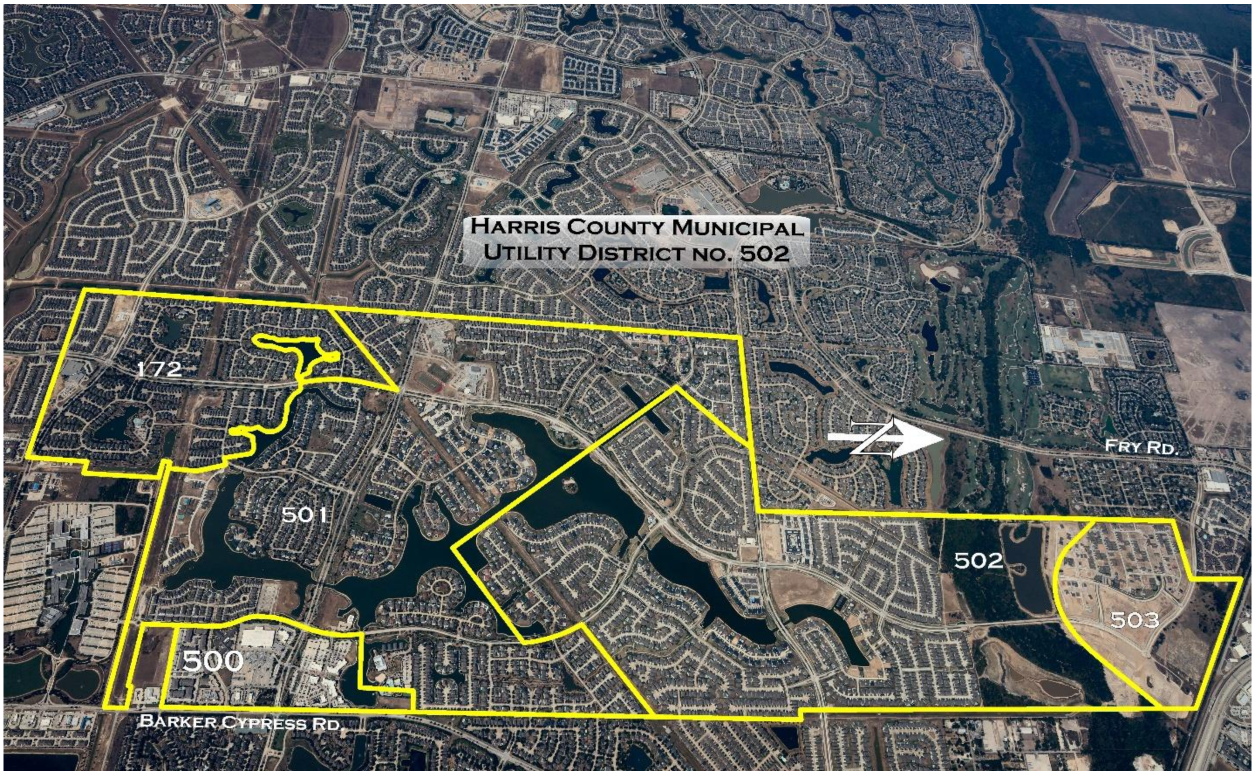
This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 502, as of the date shown on the first page hereof.

/s/ ____________________________
Andrew Peeples
President, Board of Directors
Harris County Municipal Utility District No. 502

/s/ ____________________________
John Suppatkul
Secretary, Board of Directors
Harris County Municipal Utility District No. 502

AERIAL PHOTOGRAPHS
(September 2023)





PHOTOGRAPHS
(September 2023)








APPENDIX A

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2022

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2022

T A B L E O F C O N T E N T S

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. 502
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. 502 (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.

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 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General 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. 502

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 13, 2022

Management's discussion and analysis of the financial performance of Harris County Municipal Utility District No. 502 (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 the District's assets, liabilities and, if applicable, deferred inflows and outflows 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 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 current fiscal 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 Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing contractual debt, bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

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 other supplementary information. A budgetary comparison schedule is included as RSI for the General 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 exceeded liabilities by $5,791,444 as of March 31, 2022. A portion of the District's net position reflects its net investment in capital assets (water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of 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	$ 15,391,464	$ 8,522,290	$ 6,869,174
Capital Assets (Net of Accumulated Depreciation)	19,170,345	15,639,667	3,530,678
Total Assets	$ 34,561,809	$ 24,161,957	$ 10,399,852
Due to Developer	$ 3,858,454	$ 633,878	$ (3,224,576)
Bonds and BAN Payable	24,363,495	20,348,203	(4,015,292)
Other Liabilities	548,416	422,014	(126,402)
Total Liabilities	$ 28,770,365	$ 21,404,095	$ (7,366,270)
Net Position:			
Net Investment in Capital Assets	$ (4,525,759)	$ (4,037,737)	$ (488,022)
Restricted	7,372,569	5,096,405	2,276,164
Unrestricted	2,944,634	1,699,194	1,245,440
Total Net Position	$ 5,791,444	$ 2,757,862	$ 3,033,582

The following table provides a summary 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	$ 7,432,670	$ 5,935,402	$ 1,497,268
Charges for Services	2,153,345	1,709,070	444,275
Other Revenues	9,495	9,374	121
Total Revenues	$ 9,595,510	$ 7,653,846	$ 1,941,664
Expenses for Services	6,561,928	5,378,485	(1,183,443)
Change in Net Position	$ 3,033,582	$ 2,275,361	$ 758,221
Net Position, Beginning of Year	2,757,862	482,501	2,275,361
Net Position, End of Year	$ 5,791,444	$ 2,757,862	$ 3,033,582

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2022, totaled $14,632,260, an increase of $6,665,701.

The General Fund fund balance increased by $1,233,100, primarily due to property tax revenues and service revenues exceeding the costs of operating and maintaining the District's facilities.

The Debt Service Fund fund balance increased by $2,211,433, primarily due to the structure of the District's outstanding bond debt as well as the District's debt obligation to the Master District.

The Capital Projects Fund fund balance increased by $3,221,168. The District issued its Series 2021 Bonds and used the proceeds to reimburse the developer and retire its Series 2020 Bond Anticipation Note.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget during the current fiscal year. Actual revenues were $651,581 more than budgeted revenues and actual expenditures were $91,336 more than budgeted expenditures which resulted in a positive variance of $560,245. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of March 31, 2022, total $19,170,345 (net of accumulated depreciation) and include land as well as the water, wastewater and drainage systems. See Note 11 for assets acquired through the issuance of bonds.

Capital Assets At Year-End

	2022	2021	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 4,235	$ 4,235	$
Construction in Progress		111,558	(111,558)
Capital Assets Subject to Depreciation:			
Water System	3,670,420	2,914,699	755,721
Wastewater System	7,741,655	6,169,566	1,572,089
Drainage System	9,430,750	7,672,206	1,758,544
Less Accumulated Depreciation	(1,676,715)	(1,232,597)	(444,118)
Total Net Capital Assets	$ 19,170,345	$ 15,639,667	$ 3,530,678

LONG-TERM DEBT

As of March 31, 2022, the District had bond debt payable of $24,300,000. The changes in debt position of the District during the year ended March 31, 2022, are summarized as follows:

Bond Debt Payable, April 1, 2021	$ 18,860,000
Add: Bond Sale - Series 2021	5,900,000
Less: Bond Principal Paid	460,000
Bond Debt Payable, March 31, 2022	$ 24,300,000

The District's Series 2021 bonds carry underlying rating of "Baa2". The Series 2018, 2019 and 2021 bonds carry "AA" ratings by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2020 bonds carry an "AA" rating by virtue of bond insurance issued by Assured Guaranty Municipal. The above ratings are as of March 31, 2022, and are subject to change.

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. 502, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas 77019.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2022

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 454,844	$ 105,572
Investments	2,898,824	7,138,724
Receivables:		
Property Taxes	34,748	204,199
Service Accounts	107,443	
Penalty and Interest on Delinquent Taxes		
Due from Other Funds	33,097	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 3,528,956	$ 7,448,495
LIABILITIES		
Accounts Payable	$ 232,847	$ 14,670
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		33,097
Security Deposits	244,862	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 477,709	$ 47,767
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 34,748	$ 204,199
FUND BALANCES		
Restricted for Authorized Construction	$	$
Restricted for Contract Debt Service		4,229,201
Restricted for Debt Service		2,967,328
Unassigned	3,016,499	
TOTAL FUND BALANCES	$ 3,016,499	$ 7,196,529
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,528,956	$ 7,448,495
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.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 1,850,465	$ 2,410,881	$	$ 2,410,881
2,568,767	12,606,315		12,606,315
	238,947		238,947
	107,443		107,443
		27,878	27,878
	33,097	(33,097)	
		4,235	4,235
		19,166,110	19,166,110
$ 4,419,232	$ 15,396,683	$ 19,165,126	$ 34,561,809
$	$ 247,517	$	$ 247,517
		56,037	56,037
		3,858,454	3,858,454
	33,097	(33,097)	
	244,862		244,862
		605,000	605,000
		23,758,495	23,758,495
$ - 0 -	$ 525,476	$ 28,244,889	$ 28,770,365
$ - 0 -	$ 238,947	$ (238,947)	$ - 0 -
$ 4,419,232	$ 4,419,232	$ (4,419,232)	$
	4,229,201	(4,229,201)	
	2,967,328	(2,967,328)	
	3,016,499	(3,016,499)	
$ 4,419,232	$ 14,632,260	$ (14,632,260)	$ - 0 -
$ 4,419,232	$ 15,396,683		
		$ (4,525,759)	$ (4,525,759)
		7,372,569	7,372,569
		2,944,634	2,944,634
		$ 5,791,444	$ 5,791,444

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
MARCH 31, 2022

Total Fund Balances - Governmental Funds		$ 14,632,260
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are not current financial resources and, therefore, are not reported as assets in governmental funds.		19,170,345
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.		266,825
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Due to Developer	$ (3,858,454)	
Accrued Interest Payable	(56,037)	
Bonds Payable	(24,363,495)	(28,277,986)
Total Net Position - Governmental Activities		$ 5,791,444

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2022

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 1,063,302	$ 6,300,322
Water Service	568,907	
Wastewater Service	440,589	
Water Authority Fees	612,872	
Penalty and Interest	11,557	40,473
Tap Connection and Inspection Fees	469,755	
Investment and Miscellaneous Revenues	999	6,540
TOTAL REVENUES	$ 3,167,981	$ 6,347,335
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 139,494	$ 8,730
Contracted Services	364,537	73,684
Purchased Water and Wastewater Service	463,401	
Water Authority Assessments	593,736	
Repairs and Maintenance	74,513	
Depreciation		
Other	299,200	6,564
Developer Interest		
Capital Outlay		
Debt Service:		
Debt Issuance Costs		
BAN Payoff		
Bond Principal		460,000
Bond and BAN Interest		661,665
Contractual Obligation		2,925,259
TOTAL EXPENDITURES/EXPENSES	$ 1,934,881	$ 4,135,902
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 1,233,100	$ 2,211,433
OTHER FINANCING SOURCES (USES)		
Proceeds from Issuance of Bonds	$ - 0 -	$ - 0 -
NET CHANGE IN FUND BALANCES	$ 1,233,100	$ 2,211,433
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - APRIL 1, 2021	1,783,399	4,985,096
FUND BALANCES/NET POSITION - MARCH 31, 2022	$ 3,016,499	$ 7,196,529

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 7,363,624	$ 69,046	$ 7,432,670
	568,907		568,907
	440,589		440,589
	612,872		612,872
	52,030	9,192	61,222
	469,755		469,755
1,956	9,495		9,495
$ 1,956	$ 9,517,272	$ 78,238	$ 9,595,510
$	$ 148,224	$	$ 148,224
	438,221		438,221
	463,401		463,401
	593,736		593,736
7,343	81,856		81,856
		444,118	444,118
	305,764		305,764
38,816	38,816		38,816
750,220	750,220	(750,220)	
454,039	454,039		454,039
1,422,000	1,422,000	(1,422,000)	
	460,000	(460,000)	
8,370	670,035	(1,541)	668,494
	2,925,259		2,925,259
$ 2,680,788	$ 8,751,571	$ (2,189,643)	$ 6,561,928
$ (2,678,832)	$ 765,701	$ 2,267,881	$ 3,033,582
$ 5,900,000	$ 5,900,000	$ (5,900,000)	$ - 0 -
$ 3,221,168	$ 6,665,701	$ (6,665,701)	$
		3,033,582	3,033,582
1,198,064	7,966,559	(5,208,697)	2,757,862
$ 4,419,232	$ 14,632,260	$ (8,840,816)	$ 5,791,444

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
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	$ 6,665,701
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.	69,046
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.	9,192
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.	(444,118)
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.	750,220
Governmental funds report bond and bond anticipation note principal payments as expenditures. However, in the Statement of Net Position, principal payments reduce liabilities.	1,882,000
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.	1,541
Governmental funds report proceeds from the sale of bonds as other financing sources. The sale of long-term debt increases liabilities in the Statement of Net Position.	(5,900,000)
Change in Net Position - Governmental Activities	$ 3,033,582

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 502 (the "District") was created effective August 16, 2007, by an Order of the Texas Commission on Environmental Quality, (the "Commission"). 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, and to construct parks, recreational facilities and roads for the residents of the District. The District is located within the extraterritorial jurisdiction of the City of Houston, Texas. The Board of Directors held its first meeting on August 24, 2007.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying 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 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 and other districts have contracted with the Master District for the financing, operation, and maintenance of regional water, sanitary sewer, and storm sewer facilities. These facilities are under the oversight of the Master District's Board of Directors. Financial activity of the Master District has been included in the financial statements of the District as a note disclosure. Copies of the financial statements for the Master District may be obtained from Harris County Municipal Utility District No. 500 Master District, c/o Allen Boone Humphries Robinson L.L.P., 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

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 does 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 by adjustment to obtain net total revenue and expense of the government-wide Statement 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 a Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds - The District has three governmental funds and considers each to be a major fund.

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

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

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

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.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. 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.

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 the fiscal year-end, the Debt Service Fund owed the General Fund $33,097 for the over transfer of maintenance tax collections.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets 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
Water System	10-45
Wastewater System	10-45
Drainage System	10-45

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund – presents the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered wages subject to federal income tax withholding for payroll 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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 are classified 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. The District does not have any nonspendable fund balances.

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 does not have any committed fund balances.

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

Unassigned: all other spendable amounts in the General Fund.

When 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

	Series 2017	Series 2018	Series 2019
Amount Outstanding – March 31, 2022	$2,220,000	$5,010,000	$4,270,000
Interest Rates	2.00%-3.85%	3.00%-4.50%	2.25%-4.25%
Maturity Dates – Serially Beginning/Ending	September 1, 2022/2042	September 1, 2022/2043	September 1, 2022/2044
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Date	September 1, 2025*	September 1, 2023*	September 1, 2024*

	Series 2020	Series 2021
Amount Outstanding – March 31, 2022	$6,900,000	$5,900,000
Interest Rates	2.00%-4.00%	1.50%-2.25%
Maturity Dates – Serially Beginning/Ending	September 1, 2022/2045	September 1, 2022/2046
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Date	September 1, 2025*	September 1, 2027*

* Or any date thereafter, in whole or in part, at a price equal to the principal amount to be redeemed plus accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2017 term bonds maturing on September 1, 2032, September 1, 2034, September 1, 2036, September 1, 2038, and September 1, 2042 are subject to mandatory redemption beginning September 1, 2031, September 1, 2033, September 1, 2035, September 1, 2037 and September 1, 2039, respectively. Series 2018 term bonds maturing on September 1, 2033, September 1, 2038, and September 1, 2043 are subject to mandatory redemption beginning September 1, 2030, September 1, 2034, and September 1, 2039, respectively. Series 2019 term bonds maturing on September 1, 2033 and September 1, 2039 are subject to mandatory redemption beginning September 1, 2032 and September 1, 2038, respectively. Series 2020 term bonds maturing on September 1, 2037, September 1, 2039, September 1, 2041, September 1, 2043 and September 1, 2045 are subject to mandatory redemption beginning September 1, 2036, September 1, 2038, September 1, 2040, September 1, 2042, and September 1, 2044, respectively. Series 2021 term bonds maturing on September 1, 2035, September 1, 2037 and September 1, 2046 are subject to mandatory redemption beginning September 1, 2034, September 1, 2036 and September 1, 2042, respectively.

NOTE 3. LONG-TERM DEBT (Continued)

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

	April 1, 2021	Additions	Retirements	March 31, 2022
Bonds Payable	$ 18,860,000	$ 5,900,000	$ 460,000	$ 24,300,000
Unamortized Discounts	(24,122)		(1,135)	(22,987)
Unamortized Premiums	90,325		3,843	86,482
Bonds Payable, Net	$ 18,926,203	$ 5,900,000	$ 462,708	$ 24,363,495

Amount Due Within One Year	$ 605,000
Amount Due After One Year	23,758,495
Bonds Payable, Net	$ 24,363,495

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

Fiscal Year	Principal	Interest	Total
2023	$ 605,000	$ 661,724	$ 1,266,724
2024	645,000	639,501	1,284,501
2025	670,000	615,990	1,285,990
2026	700,000	592,376	1,292,376
2027	735,000	571,161	1,306,161
2028-2032	4,160,000	2,563,351	6,723,351
2033-2037	5,140,000	1,953,449	7,093,449
2038-2042	6,390,000	1,167,535	7,557,535
2043-2047	5,255,000	258,433	5,513,433
	$ 24,300,000	$ 9,023,520	$ 33,323,520

As of March 31, 2022, the District had authorized but unissued bonds in the amount of $143,905,000 for water, sewer and drainage facilities, $14,800,000 for recreational facilities and $73,750,000 for road infrastructure. The bond authorizations also include bonds issued for refunding purposes.

During the year ended March 31, 2022, the District levied an ad valorem debt service tax rate of $0.28 per $100 of assessed valuation, which resulted in a tax levy of $1,493,367 on the adjusted taxable valuation of $533,345,462 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 and Note 8 for the contract tax levy.

NOTE 3. LONG-TERM DEBT (Continued)

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.

The District has entered into financing agreements with the Developer which call for the Developer to fund operating advances as well as costs associated with the construction of water, sewer, drainage, park and road facilities until such time as the District can sell bonds to reimburse the Developer. Activity for the current fiscal year is as follows:

Due to Developer, April 1, 2021	$ 633,878
Add: Current Year Additions	3,751,841
Less: Current Year Reimbursements	527,265
Due to Developer, March 31, 2022	$ 3,858,454

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross debt proceeds, 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 issuance of the debt.

The bond orders state that the District is required to provide to certain information repositories continuing disclosure of annual financial information and operating data with respect to the District. The information is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

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.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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 fiscal year end, the carrying amount of the District's deposits was $2,410,881 and the bank balance was $2,410,894. 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
GENERAL FUND	$ 454,844
DEBT SERVICE FUND	105,572
CAPITAL PROJECTS FUND	1,850,465
TOTAL DEPOSITS	$ 2,410,881

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.

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.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures 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.

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	$ 2,898,824	$ 2,898,824
DEBT SERVICE FUND		
TexPool	7,138,724	7,138,724
CAPITAL PROJECTS FUND		
TexPool	2,568,767	2,568,767
TOTAL INVESTMENTS	$12,606,315	$12,606,315

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.

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.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of contractual debt, bond debt, and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal 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	$ 4,235	$	$	$ 4,235
Construction in Progress	111,558	3,974,796	4,086,354	
Total Capital Assets Not Being Depreciated	$ 115,793	$ 3,974,796	$ 4,086,354	$ 4,235
Capital Assets Subject to Depreciation				
Water System	$ 2,914,699	$ 755,721	$	$ 3,670,420
Wastewater System	6,169,566	1,572,089		7,741,655
Drainage System	7,672,206	1,758,544		9,430,750
Total Capital Assets Subject to Depreciation	$ 16,756,471	$ 4,086,354	$ - 0 -	$ 20,842,825
Less Accumulated Depreciation				
Water System	$ 222,768	$ 77,115	$	$ 299,883
Wastewater System	473,896	162,536		636,432
Drainage System	535,933	204,467		740,400
Total Accumulated Depreciation	$ 1,232,597	$ 444,118	$ - 0 -	$ 1,676,715
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 15,523,874	$ 3,642,236	$ - 0 -	$ 19,166,110
Total Capital Assets, Net of Accumulated Depreciation	$ 15,639,667	$ 7,617,032	$ 4,086,354	$ 19,170,345

NOTE 7. MAINTENANCE TAX

On November 6, 2007, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed $1.50 per $100 of assessed valuation of taxable property within the District. During the year ended March 31, 2022, the District levied an ad valorem maintenance tax rate of $0.20 per $100 of assessed valuation, which resulted in a tax levy of $1,066,691 on the adjusted taxable valuation of $533,345,462 for the 2021 tax year. On November 4, 2008, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed $0.25 per $100 of assessed valuation of taxable property within the District for purposes of constructing and maintaining roads within the District.

NOTE 8. CONTRACT TAX

The voters in the District have approved the levy and collection of an annual contract tax imposed on all taxable property within the boundaries of the District in an unlimited amount per $100 of assessed valuation for purposes of making payments to the Master District for the debt service requirements of the Master District's water, sewer, drainage, road, and park contract tax revenue bonds, and for monthly charges associated with the services from the Master District's

NOTE 8. CONTRACT TAX (Continued)

water, sewer, drainage, road, and park facilities. During the current year, the District levied an ad valorem contract tax rate of $0.90 per $100 of assessed valuation, which resulted in a tax levy of $4,800,109 on the adjusted taxable valuation of $533,345,462 for the 2021 tax year. The District paid $2,925,259 to the Master District during the year to satisfy its contract debt obligations.

NOTE 9. CONTRACT FOR FINANCING, OPERATION AND MAINTENANCE OF REGIONAL FACILITIES

Harris County Municipal Utility District No. 500 as Master District (the "Master District") executed a 40-year contract with the District for the financing, operation and maintenance of the Master District's regional water, wastewater and drainage facilities as well as park and road facilities. The contract was amended November 3, 2010, October 15, 2013, December 3, 2014, May 6, 2020 and entered into by Harris County Municipal Utility District No. 503 on August 3, 2016. The Master District administers the contract for the Participants which include the District, Harris County Municipal Utility District No. 500, Harris County Municipal Utility District No. 501, and Harris County Municipal Utility District No. 503.

The Master District finances the Master District facilities through the issuance of Master District contract revenue bonds. The Master District has the authority to issue water, wastewater and drainage bonds not to exceed $754,660,000, road bonds not to exceed $350,600,000 and park bonds not to exceed $64,550,000. Each Participant is responsible for its pro rata share of the debt service requirements on the Master District contract revenue bonds. As of March 31, 2022, the Master District has authorized but unissued water, wastewater and drainage bonds of $650,095,000, road bonds of $310,240,000 and park bonds of $52,870,000.

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

Fiscal Year	Principal	Interest	Total
2023	$ 4,010,000	$ 4,582,116	$ 8,592,116
2024	4,175,000	4,451,830	8,626,830
2025	4,300,000	4,300,932	8,600,932
2026	4,440,000	4,158,143	8,598,143
2027	4,585,000	4,006,460	8,591,460
2028-2032	25,120,000	17,720,978	42,840,978
2033-2037	29,550,000	13,452,773	43,002,773
2038-2042	35,360,000	8,058,856	43,418,856
2043-2047	29,330,000	1,981,131	31,311,131
2048	230,000	6,900	236,900
	$ 141,100,000	$ 62,720,119	$ 203,820,119

NOTE 9. CONTRACT FOR FINANCING, OPERATION AND MAINTENANCE OF REGIONAL FACILITIES (Continued)

Each Participant has contracted with the Master District to provide, receive, and transport its water supply, sanitary waste, and storm waters through the Master District facilities. The Master District has also assumed the responsibility of providing parks and major roadways. The Master District owns and operates the Master District facilities, except to the extent roadways and storm sewers are accepted for maintenance by Harris County or other governmental entities.

The Master District prepares an operating budget annually. The budget is based on annual estimates provided by each Participant to the Master District for waste discharge, water usage and connections. The Master District has established a reserve equivalent to three months of operation and maintenance expenses. As of March 31, 2022, the Master District had enough funds on hand to meet this requirement.

Each Participant's monthly bill is determined by multiplying the total number of equivalent single-family residential connections (ESFC) reserved for the Participant on the first day of the previous month by the unit cost per ESFC shown in the budget for each Participant. The rate in effect during the current fiscal year was $27 per ESFC. The Master District separates the Authority fees from the monthly per connection charges and bills such Authority fees to each Participant monthly based upon that Participant's actual water usage plus an additional 5% for flushing and other non-metered water usage. As of the fiscal year end the rate charged to each participant for the Authority fees is $4.31 per 1,000 gallons of water.

The following summary audited financial data for the regional facilities is presented for the year ended March 31, 2022:

	Master District Enterprise Fund
Total Assets	$ 127,298,539
Total Deferred Outflows of Resources	1,345,981
Total Liabilities	(147,433,988)
Total Net Position	$ (18,789,468)
Total Operating Revenues	$ 2,763,940
Total Operating Expenses	6,603,157
Operating Income (Loss)	$ (3,839,217)
Total Non-operating Revenues (Expenses)	$ 1,187,070
Change in Net Position	$ (2,652,147)
Net Position – April 1, 2021	(16,137,321)
Net Position – March 31, 2022	$ (18,789,468)

NOTE 10. RISK MANAGEMENT

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

NOTE 11. BOND SALE AND ESCROW REQUIREMENT

On April 29, 2021, the District issued its $5,900,000 Series 2021 Unlimited Tax Bonds. Proceeds from the bonds were used to retire the Series 2020 BAN as well as reimburse the Developer for certain capital costs associated with: water, wastewater, and drainage facilities serving Towne Lake Sections 53, 54, 55, 56, 57, 58, 59, 61 and 62; engineering and geotechnical fees; storm water compliance; and issuance costs related to the bonds.

The District was directed to escrow bond proceeds totaling $1,849,504 pending Commission approval related to the construction of the water, wastewater and drainage facilities serving Towne Lake, Sections 55, 58, 59 and 62.

NOTE 12. 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, as amended, 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. As of January 1, 2022, the Authority's fees per 1,000 gallons of water are $4.10 for surface water and $3.70 for groundwater.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2022

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 692,000	$ 1,063,302	$ 371,302
Water Service	478,000	568,907	90,907
Wastewater Service	325,000	440,589	115,589
Water Authority Fees	695,000	612,872	(82,128)
Penalty and Interest	12,000	11,557	(443)
Tap Connection and Inspection Fees	312,000	469,755	157,755
Investment and Miscellaneous Revenues	2,400	999	(1,401)
TOTAL REVENUES	$ 2,516,400	$ 3,167,981	$ 651,581
EXPENDITURES			
Service Operations:			
Professional Fees	$ 134,000	$ 139,494	$ (5,494)
Contracted Services	266,200	364,537	(98,337)
Purchased Water and Wastewater Service	480,870	463,401	17,469
Water Authority Assessments	632,700	593,736	38,964
Repairs and Maintenance	80,000	74,513	5,487
Other	249,775	299,200	(49,425)
TOTAL EXPENDITURES	$ 1,843,545	$ 1,934,881	$ (91,336)
NET CHANGE IN FUND BALANCE	$ 672,855	$ 1,233,100	$ 560,245
FUND BALANCE - APRIL 1, 2021	1,783,399	1,783,399	
FUND BALANCE - MARCH 31, 2022	$ 2,456,254	$ 3,016,499	$ 560,245

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MARCH 31, 2022

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2022

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

X	Retail Water		Wholesale Water	X	Drainage
X	Retail Wastewater		Wholesale Wastewater		Irrigation
	Parks/Recreation		Fire Protection		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 approved and effective December 1, 2021

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 22.00	7,000	N	$ 2.25	7,001 to 15,000
				$ 2.50	15,001 to 25,000
				$ 3.00	25,001 and up
WASTEWATER:	$ 30.00		Y		
SURCHARGE:					
Commission Regulatory Assessments	Included in the rates above				
Surface Water Fees	110% of the surface water fee charged by the WHCRWA				

District employs winter averaging for wastewater usage?

Yes	No
	X

Total monthly charges per 10,000 gallons usage: Water: $28.75 Wastewater: $30.00 Surcharge: $43.50

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"	1,239	1,239	x 1.0	1,239
1”	191	191	x 2.5	478
1½”	2	2	x 5.0	10
2”	2	2	x 8.0	16
3”			x 15.0	
4”			x 25.0	
6”	1	1	x 50.0	50
8”			x 80.0	
10”			x 115.0	
Total Water Connections	1,435	1,435		1,793
Total Wastewater Connections	1,423	1,423	x 1.0	1,423

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

Gallons billed to customers: 144,354,000 Water Accountability Ratio: 99%

Gallons purchased: * From: West Harris County RWA

* The District, along with Harris County Municipal Utility District No. 500 (Internal District) and Harris County Municipal Utility District No. 501, receives water from the Harris County Municipal Utility District No. 500 Master District. Harris County Municipal Utility District No. 503 has not yet begun purchasing water from the Master District. The Master District purchases water from the West Harris County Regional Water Authority and, from time to time, Remington Municipal Utility District No. 1 via an emergency interconnect. Gallons purchased is calculated using gallons billed to District customers divided by total gallons billed to all participants times the total gallons purchased by the Master District.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2022

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. 502
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2022

PROFESSIONAL FEES:		
Auditing	$	14,000
Engineering		23,139
Legal		102,355
TOTAL PROFESSIONAL FEES	$	139,494
PURCHASED SERVICES FOR RESALE		
Master District Charges	$	463,401
Water Authority Assessments		593,736
TOTAL PURCHASED SERVICES FOR RESALE	$	1,057,137
CONTRACTED SERVICES:		
Bookkeeping	$	10,890
Operations and Billing		50,544
Solid Waste Disposal		303,103
TOTAL CONTRACTED SERVICES	$	364,537
REPAIRS AND MAINTENANCE	$	74,513
ADMINISTRATIVE EXPENDITURES:		
Director Fees, Including Payroll Taxes	$	7,267
Insurance		6,828
Office Supplies and Postage		33,861
Website and Other		6,664
TOTAL ADMINISTRATIVE EXPENDITURES	$	54,620
TAP CONNECTIONS	$	183,306
OTHER EXPENDITURES:		
Laboratory Fees	$	2,611
Inspection Fees		49,305
Regulatory Assessment		4,415
Utilities		4,943
TOTAL OTHER EXPENDITURES	$	61,274
TOTAL EXPENDITURES	$	1,934,881

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
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	XXXX0001	Varies	Daily	$ 2,898,824	$ - 0 -
DEBT SERVICE FUND					
TexPool	XXXX0003	Varies	Daily	$ 2,751,655	$
TexPool	XXXX0004	Varies	Daily	4,229,200	
TexPool	XXXX0005	Varies	Daily	157,869	
TOTAL DEBT SERVICE FUND				$ 7,138,724	$ - 0 -
CAPITAL PROJECTS FUND					
TexPool	XXXX0002	Varies	Daily	$ 2,568,767	$ - 0 -
TOTAL - ALL FUNDS				$ 12,606,315	$ - 0 -

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2022

	Maintenance Taxes		Contract Taxes		Debt Service Taxes	
TAXES RECEIVABLE -						
APRIL 1, 2021	$ 22,408		$ 93,217		$ 54,276	
Adjustments to Beginning						
Balance	8,951	$ 31,359	39,296	$ 132,513	24,255	$ 78,531
Original 2021 Tax Levy	$ 881,699		$ 3,967,646		$ 1,234,379	
Adjustment to 2021 Tax Levy	184,992	1,066,691	832,463	4,800,109	258,988	1,493,367
TOTAL TO BE						
ACCOUNTED FOR		$ 1,098,050		$ 4,932,622		$ 1,571,898
TAX COLLECTIONS:						
Prior Years	$ 27,658		$ 118,601		$ 71,422	
Current Year	1,035,644	1,063,302	4,660,397	4,778,998	1,449,901	1,521,323
TAXES RECEIVABLE -						
MARCH 31, 2022		$ 34,748		$ 153,624		$ 50,575
TAXES RECEIVABLE BY YEAR:						
2021		$ 31,047		$ 139,712		$ 43,466
2020		1,561		6,936		4,335
2019		2,140		6,976		2,774
TOTAL		$ 34,748		$ 153,624		$ 50,575

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2022

	2021	2020	2019	2018
PROPERTY VALUATIONS:				
Land	$ 154,386,144	$ 120,273,906	$ 98,255,356	$ 88,224,131
Improvements	397,132,054	282,095,106	183,562,376	107,276,459
Personal Property	3,063,757	1,880,829	932,976	840,785
Exemptions	(21,236,493)	(11,209,515)	(7,394,821)	(5,339,442)
TOTAL PROPERTY VALUATIONS	$ 533,345,462	$ 393,040,326	$ 275,355,887	$ 191,001,933
TAX RATES PER $100 VALUATION:				
Contract	$ 0.90	$ 0.80	$ 0.88	$ 0.95
Debt Service	0.28	0.50	0.35	0.36
Maintenance	0.20	0.18	0.27	0.19
TOTAL TAX RATES PER $100 VALUATION	$ 1.38	$ 1.48	$ 1.50	$ 1.50
ADJUSTED TAX LEVY*	$ 7,360,167	$ 5,816,996	$ 4,130,340	$ 2,865,031
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	97.09 %	99.78 %	99.71 %	100.00 %

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

Maintenance Tax – Maximum tax rate of $1.50 per $100 of assessed valuation approved by voters on November 6, 2007.

Maximum road maintenance tax rate of $0.25 per $100 of assessed valuation approved by voters on November 4, 2008.

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2022

	SERIES-2017		
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	$ 65,000	$ 75,374	$ 140,374
2024	65,000	73,863	138,863
2025	70,000	72,172	142,172
2026	70,000	70,300	140,300
2027	75,000	68,250	143,250
2028	80,000	65,962	145,962
2029	85,000	63,445	148,445
2030	90,000	60,688	150,688
2031	90,000	57,762	147,762
2032	95,000	54,662	149,662
2033	100,000	51,348	151,348
2034	105,000	47,810	152,810
2035	110,000	44,047	154,047
2036	115,000	40,053	155,053
2037	125,000	35,732	160,732
2038	130,000	31,078	161,078
2039	135,000	26,175	161,175
2040	145,000	20,886	165,886
2041	150,000	15,208	165,208
2042	155,000	9,336	164,336
2043	165,000	3,176	168,176
2044			
2045			
2046			
2047			
	$ 2,220,000	$ 987,327	$ 3,207,327

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2022

	SERIES - 2018		
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	$ 135,000	$ 176,875	$ 311,875
2024	145,000	170,575	315,575
2025	150,000	163,937	313,937
2026	160,000	156,963	316,963
2027	165,000	150,887	315,887
2028	170,000	145,863	315,863
2029	175,000	140,687	315,687
2030	180,000	135,363	315,363
2031	190,000	129,337	319,337
2032	200,000	122,513	322,513
2033	210,000	115,337	325,337
2034	215,000	107,900	322,900
2035	225,000	100,200	325,200
2036	235,000	92,150	327,150
2037	245,000	83,750	328,750
2038	255,000	75,000	330,000
2039	265,000	65,900	330,900
2040	275,000	56,278	331,278
2041	290,000	46,038	336,038
2042	305,000	35,253	340,253
2043	315,000	24,015	339,015
2044	505,000	9,153	514,153
2045			
2046			
2047			
	$ 5,010,000	$ 2,303,974	$ 7,313,974

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2022

	SERIES-2019		
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	$ 120,000	$ 134,863	$ 254,863
2024	130,000	129,550	259,550
2025	135,000	123,919	258,919
2026	140,000	118,425	258,425
2027	145,000	113,262	258,262
2028	150,000	109,038	259,038
2029	155,000	105,606	260,606
2030	160,000	101,463	261,463
2031	165,000	96,587	261,587
2032	175,000	91,488	266,488
2033	175,000	86,237	261,237
2034	180,000	80,913	260,913
2035	190,000	75,363	265,363
2036	195,000	69,587	264,587
2037	200,000	63,663	263,663
2038	205,000	57,459	262,459
2039	215,000	50,763	265,763
2040	220,000	43,694	263,694
2041	230,000	36,381	266,381
2042	235,000	28,825	263,825
2043	245,000	21,024	266,024
2044	250,000	12,825	262,825
2045	255,000	4,303	259,303
2046			
2047			
	$ 4,270,000	$ 1,755,238	$ 6,025,238

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2022

	S E R I E S - 2 0 2 0		
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	$ 155,000	$ 152,331	$ 307,331
2024	165,000	145,932	310,932
2025	170,000	139,231	309,231
2026	180,000	132,907	312,907
2027	190,000	128,081	318,081
2028	200,000	124,182	324,182
2029	210,000	120,081	330,081
2030	220,000	115,782	335,782
2031	230,000	111,281	341,281
2032	240,000	106,581	346,581
2033	250,000	101,681	351,681
2034	265,000	96,531	361,531
2035	280,000	91,081	371,081
2036	290,000	85,381	375,381
2037	305,000	79,431	384,431
2038	320,000	73,181	393,181
2039	340,000	66,581	406,581
2040	355,000	59,631	414,631
2041	375,000	52,097	427,097
2042	390,000	43,969	433,969
2043	410,000	35,213	445,213
2044	430,000	25,762	455,762
2045	455,000	15,806	470,806
2046	475,000	5,344	480,344
2047			
	$ 6,900,000	$ 2,108,078	$ 9,008,078

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2022

	SERIES-2021		
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	$ 130,000	$ 122,281	$ 252,281
2024	140,000	119,581	259,581
2025	145,000	116,731	261,731
2026	150,000	113,781	263,781
2027	160,000	110,681	270,681
2028	165,000	107,431	272,431
2029	170,000	104,506	274,506
2030	180,000	101,431	281,431
2031	190,000	97,731	287,731
2032	195,000	93,881	288,881
2033	205,000	89,881	294,881
2034	215,000	85,682	300,682
2035	225,000	81,282	306,282
2036	235,000	76,681	311,681
2037	245,000	71,728	316,728
2038	255,000	66,416	321,416
2039	270,000	60,838	330,838
2040	280,000	54,994	334,994
2041	290,000	48,938	338,938
2042	305,000	42,616	347,616
2043	320,000	35,775	355,775
2044	335,000	28,406	363,406
2045	350,000	20,700	370,700
2046	365,000	12,656	377,656
2047	380,000	4,275	384,275
	$ 5,900,000	$ 1,868,903	$ 7,768,903

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
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	$ 605,000	$ 661,724	$ 1,266,724
2024	645,000	639,501	1,284,501
2025	670,000	615,990	1,285,990
2026	700,000	592,376	1,292,376
2027	735,000	571,161	1,306,161
2028	765,000	552,476	1,317,476
2029	795,000	534,325	1,329,325
2030	830,000	514,727	1,344,727
2031	865,000	492,698	1,357,698
2032	905,000	469,125	1,374,125
2033	940,000	444,484	1,384,484
2034	980,000	418,836	1,398,836
2035	1,030,000	391,973	1,421,973
2036	1,070,000	363,852	1,433,852
2037	1,120,000	334,304	1,454,304
2038	1,165,000	303,134	1,468,134
2039	1,225,000	270,257	1,495,257
2040	1,275,000	235,483	1,510,483
2041	1,335,000	198,662	1,533,662
2042	1,390,000	159,999	1,549,999
2043	1,455,000	119,203	1,574,203
2044	1,520,000	76,146	1,596,146
2045	1,060,000	40,809	1,100,809
2046	840,000	18,000	858,000
2047	380,000	4,275	384,275
	$ 24,300,000	$ 9,023,520	$ 33,323,520

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
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. 502 Unlimited Tax Bonds - Series 2017	$ 2,440,000	$ 2,280,000
Harris County Municipal Utility District No. 502 Unlimited Tax Bonds - Series 2018	5,400,000	5,145,000
Harris County Municipal Utility District No. 502 Unlimited Tax Bonds - Series 2019	4,500,000	4,390,000
Harris County Municipal Utility District No. 502 Unlimited Tax Bonds - Series 2020	7,045,000	7,045,000
Harris County Municipal Utility District No. 502 Unlimited Tax Bonds - Series 2021	5,900,000	
TOTAL	$ 25,285,000	$ 18,860,000

Bond Authority:	Tax Bonds	Road Bonds	Recreational Facilities Bonds
Amount Authorized by Voters	$ 169,190,000	$ 73,750,000	$ 14,800,000
Amount Issued	25,285,000		
Remaining to be Issued	$ 143,905,000	$ 73,750,000	$ 14,800,000

Debt Service Fund cash and investment balances (excluding contract tax cash and investment balances) as of March 31, 2022:	$ 3,015,095
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,332,941

See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements		Bonds Outstanding	
Bonds Sold	Principal	Interest	March 31, 2022	Paying Agent
$	$ 60,000	$ 76,750	$ 2,220,000	The Bank of New York Mellon Trust Company, N.A.
	135,000	182,950	5,010,000	The Bank of New York Mellon Trust Company, N.A.
	120,000	139,962	4,270,000	The Bank of New York Mellon Trust Company, N.A.
	145,000	158,332	6,900,000	The Bank of New York Mellon Trust Company, N.A.
5,900,000		103,671	5,900,000	The Bank of New York Mellon Trust Company, N.A.
$ 5,900,000	$ 460,000	$ 661,665	$ 24,300,000	

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2022	2021	2020
REVENUES			
Property Taxes	$ 1,063,302	$ 733,180	$ 767,361
Water Service	568,907	458,651	344,487
Wastewater Service	440,589	335,375	245,110
Water Authority Fees	612,872	545,982	379,926
Penalty and Interest	11,557	10,710	9,277
Tap Connection and Inspection Fees	469,755	302,140	304,420
Investment and Miscellaneous Revenues	999	18,521	22,585
TOTAL REVENUES	$ 3,167,981	$ 2,404,559	$ 2,073,166
EXPENDITURES			
Professional Fees	$ 139,494	$ 127,967	$ 135,517
Contracted Services	364,537	251,295	187,977
Purchased Water and Wastewater Services	463,401	412,216	405,450
Water Authority Assessments	593,736	479,581	362,349
Repairs and Maintenance	74,513	66,049	79,972
Other	299,200	249,744	217,634
TOTAL EXPENDITURES	$ 1,934,881	$ 1,586,852	$ 1,388,899
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 1,233,100	$ 817,707	$ 684,267
OTHER FINANCING SOURCES (USES)			
Transfer In (Out)	$	$	$
Developer Advances			
TOTAL OTHER FINANCING SOURCES (USES)	$ - 0 -	$ - 0 -	$ - 0 -
NET CHANGE IN FUND BALANCE	$ 1,233,100	$ 817,707	$ 684,267
BEGINNING FUND BALANCE	1,783,399	965,692	281,425
ENDING FUND BALANCE	$ 3,016,499	$ 1,783,399	$ 965,692

See accompanying independent auditor’s report.

		Percentage of Total Revenues				
2019	2018	2022	2021	2020	2019	2018
$ 364,617	$ 211,713	33.6 %	30.5 %	37.1 %	28.4 %	23.3 %
217,057	161,666	18.0	19.1	16.6	17.0	17.8
156,899	82,871	13.9	13.9	11.8	12.3	9.1
202,196	150,621	19.3	22.7	18.3	15.8	16.6
7,534	5,742	0.4	0.4	0.4	0.6	0.6
314,660	287,865	14.8	12.6	14.7	24.6	31.6
16,634	9,429		0.8	1.1	1.3	1.0
$ 1,279,597	$ 909,907	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 122,233	$ 142,719	4.4 %	5.3 %	6.5 %	9.6 %	15.7 %
132,783	70,065	11.5	10.5	9.1	10.4	7.7
564,000	463,725	14.6	17.1	19.6	44.1	51.0
		18.7	19.9	17.5		
56,929	28,887	2.4	2.7	3.9	4.4	3.2
217,311	186,289	9.4	10.4	10.5	17.0	20.5
$ 1,093,256	$ 891,685	61.0 %	65.9 %	67.1 %	85.5 %	98.1 %
$ 186,341	$ 18,222	39.0 %	34.1 %	32.9 %	14.5 %	1.9 %
$ (34,000)	$ (9,800)					
	85,000					
$ (34,000)	$ 75,200					
$ 152,341	$ 93,422					
129,084	35,662					
$ 281,425	$ 129,084					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2022	2021	2020
REVENUES			
Property/Contract Taxes	$ 6,300,322	$ 5,183,289	$ 3,601,794
Penalty and Interest	40,473	32,504	30,635
Investment and Miscellaneous Revenues	6,540	5,705	29,328
TOTAL REVENUES	$ 6,347,335	$ 5,221,498	$ 3,661,757
EXPENDITURES			
Tax Collection Expenditures	$ 85,978	$ 71,747	$ 56,954
Debt Service Principal	460,000	295,000	180,000
Debt Service Interest and Fees	664,665	562,951	395,398
Contractual Obligation	2,925,259	2,491,599	1,903,563
TOTAL EXPENDITURES	$ 4,135,902	$ 3,421,297	$ 2,535,915
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 2,211,433	$ 1,800,201	$ 1,125,842
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	$	$	$
Proceeds From Issuance of Long-Term Debt			306,514
TOTAL OTHER FINANCING SOURCES (USES)	$ - 0 -	$ - 0 -	$ 306,514
NET CHANGE IN FUND BALANCE	$ 2,211,433	$ 1,800,201	$ 1,432,356
BEGINNING FUND BALANCE	4,985,096	3,184,895	1,752,539
ENDING FUND BALANCE	$ 7,196,529	$ 4,985,096	$ 3,184,895
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,435	1,080	857
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,423	1,068	845

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2019	2018	2022	2021	2020	2019	2018
$ 2,426,652	$ 922,404	99.3 %	99.3 %	98.4 %	99.0 %	98.4 %
15,234	4,452	0.6	0.6	0.8	0.6	0.5
8,889	10,691	0.1	0.1	0.8	0.4	1.1
$ 2,450,775	$ 937,547	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 32,282	$ 19,111	1.4 %	1.4 %	1.6 %	1.3 %	2.0 %
50,000		7.2	5.6	4.9	2.0	
314,744		10.5	10.8	10.8	12.8	
1,146,139	591,297	46.1	47.7	52.0	46.8	63.1
$ 1,543,165	$ 610,408	65.2 %	65.5 %	69.3 %	62.9 %	65.1 %
$ 907,610	$ 327,139	34.8 %	34.5 %	30.7 %	37.1 %	34.9 %
$ 34,000	$ 9,800					
	315,335					
$ 34,000	$ 325,135					
$ 941,610	$ 652,274					
810,929	158,655					
$ 1,752,539	$ 810,929					
610	372					
599	367					

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2022

District Mailing Address	-	Harris County Municipal Utility District No. 502 c/o Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, TX 77019
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
Andrew Peeples	05/18 - 05/22 (Elected)	$ 1,650	$ 126	President
Catherine Mundinger	05/18 - 05/22 (Elected)	$ 1,200	$ 18	Vice President
John Suppatkul	05/20 - 05/24 (Elected)	$ 1,200	$ 59	Secretary
Reginald Smith	12/20 - 05/24 (Appointed)	$ 1,500	$ 76	Director
Brian Thomas	01/19 - 05/22 (Appointed)	$ 1,950	$ -0-	Director

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 developers or with any of the District's consultants. The District's auditor leases office space from an entity affiliated with the District's Developer.

The submission date of the most recent District Registration Form: June 15, 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 August 24, 2007. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2022

Consultants:	Date Hired	Fees for the year ended March 31, 2022	Title
Smith, Murdaugh, Little & Bonham, L.L.P.	07/09/12	$ 102,355 $ 178,219	General Counsel Bond/BAN Counsel
McCall Gibson Swedlund Barfoot PLLC	03/02/11	$ 14,000 $ 12,500	Audit Related Bond/BAN Related
F. Matuska, Inc.	09/28/07	$ 13,294	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/02/11	$ 8,730	Delinquent Tax Attorney
Edminster, Hinshaw, Russ and Associates, Inc.	09/28/07	$ 71,367	Engineer
RBC Capital Markets	09/28/07	$ 73,700	Financial Advisor
Brendan Doran		$ -0-	Investment Officer
Environmental Development Partners	11/28/11	$ 456,026	Operator
BLICO, Inc.	09/28/07	$ 29,005	Tax Assessor/ Collector

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)