

OFFICIAL STATEMENT DATED DECEMBER 7, 2021

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 5. IN THE OPINION OF SPECIAL TAX COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINIONS OF BOND COUNSEL AND SPECIAL TAX COUNSEL.

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

Insured Rating: S&P "AA" (stable outlook)
Underlying Rating: S&P "A-"
See "MUNICIPAL BOND RATING" and
"MUNICIPAL BOND INSURANCE"

\$3,480,000

HARRIS - FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 5 *(A political subdivision of the State of Texas located within Harris and Fort Bend Counties)* **UNLIMITED TAX REFUNDING BONDS** **SERIES 2022**

Dated Date: January 1, 2022

Due: April 1, as shown below

Interest Accrual Date: Date of Delivery

Principal of the bonds described above (the "Bonds") is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially Regions Bank, Houston, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from the date of delivery (expected January 12, 2022) (the "Date of Delivery"), and is payable each April 1 and October 1, commencing October 1, 2022, until maturity or prior redemption. The Bonds will be issued only in fully registered form. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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



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 ASSURED GUARANTY MUNICIPAL CORP. See "MUNICIPAL BOND INSURANCE" herein.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (April 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)	Due (April 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)
2023	\$ 115,000	3.000 %	0.40 %	414543 LV8	2029	\$ 120,000 (a)	2.000 %	1.45 %	414543 MB1
2024	115,000	3.000	0.57	414543 LW6	2030	315,000 (a)	1.500	1.73	414543 MC9
2025	120,000	3.000	0.73	414543 LX4	2031	560,000 (a)	1.625	1.84	414543 MD7
2026	120,000	3.000	0.92	414543 LY2	2032	570,000 (a)	2.000	1.83	414543 ME5
2027	120,000	3.000	1.07	414543 LZ9	2033	590,000 (a)	2.000	1.95	414543 MF2
2028	120,000 (a)	2.000	1.27	414543 MA3	2034	615,000 (a)	2.000	2.05	414543 MG0

- (a) Bonds maturing on or after April 1, 2028, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on April 1, 2027, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.

The Bonds, when issued, will constitute valid and legally binding obligations of Harris-Fort Bend Counties Municipal Utility District No. 5 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, Fort Bend County, the City of Houston or any entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS".

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Bond Counsel, Houston, Texas and McCall, Parkhurst & Horton L.L.P. Dallas, Texas, Special Tax Counsel. Certain legal matters will be passed on for the Underwriter by McCall, Parkhurst & Horton, L.L.P. Houston, Texas. Delivery of the Bonds in book-entry form through DTC is expected on or about January 12, 2022.

SAMCO CAPITAL

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 1400, Houston, Texas, 77056 upon payment of the costs of duplication.

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$3,482,145.65 (representing the par amount of the Bonds of \$3,480,000.00, plus a net premium on the Bonds of \$35,393.30, less an Underwriter’s discount of \$33,247.65). The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING—Sources and Uses of Funds.”

The Underwriter has reviewed the information in this official statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

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

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

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not 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.

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this OFFICIAL STATEMENT. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire Official Statement and of the documents summarized or described therein.

INFECTIOUS DISEASE OUTLOOK (COVID-19)

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

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

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

THE DISTRICT

Description Harris – Fort Bend Counties Municipal Utility District No. 5 (the “District”) is a political subdivision of the State of Texas, created by order of the Texas Natural Resources Conservation Commission, a predecessor to the Texas Commission on Environmental Quality (the “Commission”), dated February 17, 1995. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District currently contains approximately 494 acres of land. See “THE DISTRICT.”

Location The District is located in Harris and Fort Bend Counties, approximately 26 miles west of the central downtown business district of the City of Houston. Access to the District is provided by State Highway 99 (Grand Parkway) and Westheimer Parkway and Bayhill Boulevard. The District is located entirely within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Katy Independent School District. See “THE DISTRICT—Description and Location.”

Status of Development..... Residential development in the District currently includes Falcon Landing, Sections One, and Three through Ten, and Katy Creek Ranch, Sections One through Ten. Development within the District includes 1,373 single-family residential lots on approximately 317 acres. As of September 5, 2021, 1,356 homes were completed and occupied, 8 homes were completed and unoccupied, 3 homes were under construction in a builder’s name and 6 lots were vacant. Legend Homes has recently started constructing homes in Katy Creek Ranch Section Ten, which range in sales price from \$254,990 to \$292,990. Solea Cinco Ranch, an active adult apartment complex, has been constructed on approximately 9 acres of land.

Approximately 70 acres have been developed for commercial purposes. Commercial development includes a Kroger Grocery Store with an adjacent 18,300 square foot retail center, a Kroger’s gas station, and a Wells Fargo Bank and a Jack in the Box occupying pad sites. Commercial development also includes 2 small retail centers, occupied by restaurants, title companies, a flooring company, an Avis Rental Car facility, and several nail and hair salons. A Christian Brothers Automotive, a Good Year Tire Store, a Traditions Bank, a Kwik Kar Lube and Tune, a Shell Service Station (which includes a McDonald’s restaurant), a Timewise convenience store and gas station, a swim academy, a funeral home, a Walmart Neighborhood Market and the Westwood Gymnastics facility have also been constructed in the District. Marcel Commons Retail, LLC and Marcel Commons Retail Pad, LLC (collectively “Marcel Commons”) have built commercial improvements on four tracts of land, cumulatively totaling 4.608 acres of land. Marcel Commons includes a retail center and office building constructed on approximately 10 acres of land.

Two churches have been constructed on approximately 26 acres, the Westland Baptist Church and the Church of the Holy Apostles. The property of both churches is exempt from ad valorem taxation by the District.

There are approximately 12 acres of developable land in the District which are not currently provided with water distribution, wastewater collection and storm drainage facilities and approximately 45 acres that are undevelopable. See “THE DISTRICT—Status of Development.”

Payment Record The District has previously issued \$32,260,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, sewer and drainage facilities in thirteen series, including the District’s \$2,645,000 Unlimited Tax Bonds, Series 2021A, expected to be issued on December 21, 2021 (the “Series 2021A Bonds”), and \$17,465,000 principal amount of unlimited tax refunding bonds in four series, of which an aggregate of \$18,490,000 principal amount remains outstanding (the “Outstanding Bonds”). The District has never defaulted on the debt service payments on the Outstanding Bonds. See “PLAN OF FINANCING—Outstanding Bonds.”

THE FINANCING

The Issuer..... The District, a political subdivision of the State of Texas, is located in Harris and Fort Bend Counties, Texas. See “THE DISTRICT.”

The Issue..... The \$3,480,000 Unlimited Tax Refunding Bonds, Series 2022 (the “Bonds”) are being issued as fully registered bonds pursuant to an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the District's Board of Directors (the “Board”) as fully registered bonds. The Bonds are scheduled to mature serially in the years 2023 through 2034, both inclusive, in the principal amounts and on the dates shown on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from the Date of Delivery, and is payable October 1, 2022, and each October 1 and April 1 thereafter, until the earlier of maturity or prior redemption. See “THE BONDS.”

Book-Entry-Only System The Depository Trust Company (defined as “DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”

Redemption.....Bonds maturing on or after April 1, 2028 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on April 1, 2027, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”

Use of Proceeds.....Proceeds from the sale of the Bonds and lawfully available debt service funds will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund \$3,355,000 of the Outstanding Bonds in order to achieve net savings in the District’s annual debt service expense. The bonds to be refunded and discharged with Bond proceeds are referred to herein as the “Refunded Bonds.” After the issuance of the Bonds, \$15,135,000 principal amount of the Outstanding Bonds will remain outstanding (the “Remaining Outstanding Bonds”). See “PLAN OF FINANCING.”

Authority for IssuanceAt elections held within the District on May 6, 1995, and November 5, 2013, voters of the District authorized a total of \$27,000,000 in bonds for the purpose of refunding bonds of the District. The Bonds are issued by the District pursuant to said election and the terms and provisions of the Bond Order, Article XVI, Section 59 of the Texas Constitution; Chapter 1207 of the Texas Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; and City of Houston Ordinance No. 97-416. See “THE BONDS—Authority for Issuance”

Source of Payment.....Principal of and interest on the Bonds and the Remaining Outstanding Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Houston, Harris County, Fort Bend County, the State of Texas or any entity other than the District. See “THE BONDS—Source of Payment.”

*Municipal Bond Rating and
Municipal Bond Insurance*S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) is expected to 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 Assured Guaranty Municipal Corp. S&P has also assigned an underlying rating of “A-” to the Bonds. An explanation of the ratings may be obtained from S&P. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE,” and “APPENDIX B.”

*Qualified Tax-Exempt
Obligations*.....The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS--Qualified Tax-Exempt Obligations."

Bond CounselSchwartz, Page & Harding, L.L.P., Bond Counsel, Houston, Texas. See “MANAGEMENT OF THE DISTRICT” and “LEGAL MATTERS.”

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

Special Tax Counsel.....McCall, Parkhurst & Horton L.L.P., Dallas, Texas.

Underwriter’s Counsel.....McCall, Parkhurst & Horton L.L.P., Houston, Texas.

Paying Agent/RegistrarRegions Bank, Houston, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”

Verification AgentPublic Finance Partners LLC, Minneapolis Minnesota. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully this entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2021 Taxable Assessed Valuation.....	\$492,930,668 (a)
Gross Direct Debt Outstanding	\$18,615,000 (b)
Estimated Overlapping Debt	<u>26,141,400</u> (c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$44,756,440
Ratio of Gross Direct Debt to: 2021 Taxable Assessed Valuation	3.78%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to: 2021 Taxable Assessed Valuation.....	9.08%
Debt Service Funds Available as of November 17, 2021.....	\$1,616,772 (d)
Operating Funds Available as of November 17, 2021	\$6,340,087
Capital Projects Funds Available as of November 17, 2021	\$ 205,726
2021 Debt Service Tax Rate.....	\$0.33
2021 Maintenance Tax Rate.....	<u>0.12</u>
2021 Total Tax Rate.....	\$0.45
Average Annual Debt Service Requirement (2022-2041).....	\$1,104,396 (e)
Maximum Annual Debt Service Requirement (2025).....	\$1,654,063 (e)
Tax Rate Required to Pay Average Annual Debt Service (2022-2041) at a 95% Collection Rate Based upon 2021 Taxable Assessed Valuation.....	\$0.24 (f)
Tax Rate Required to Pay Maximum Annual Debt Service (2025) at a 95% Collection Rate Based upon 2021 Taxable Assessed Valuation.....	\$0.36 (f)
Status of Development as of September 5, 2021 (g):	
Homes Completed and Occupied	1,356
Homes Completed and Vacant.....	8
Homes Under Construction in a Builder's Name.....	3
Vacant Lots	6
Multi-Family (150 units).....	1
Commercial Connections	34
Estimated Population	5,046 (h)

- (a) The Harris County Appraisal District ("HCAD") has certified \$12,496,625 of taxable value on the properties located within the District in Harris County. The Fort Bend Central Appraisal District ("FBCAD") has certified \$480,434,043 on the properties located within the District in Fort Bend County. See "TAXING PROCEDURES."
- (b) After the issuance of the Bonds and including the District's Series 2021A Bonds, expected to be issued on December 21, 2021. See "PLAN OF FINANCING—Outstanding Bonds."
- (c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt" and "Overlapping Taxes."
- (d) The District will apply \$36,000 from the Debt Service Fund, together with Bond proceeds, to currently refund a portion of the Outstanding Bonds.
- (e) See "PLAN OF FINANCING—Debt Service Requirements."
- (f) See "TAX DATA—Tax Adequacy Debt Service" and "INVESTMENT CONSIDERATIONS—Maximum Impact on District Tax Rate".
- (g) See "THE DISTRICT—Land Use—Status of Development."
- (h) Based upon 3.5 persons per occupied single-family residence and 2.0 persons per apartment unit.

OFFICIAL STATEMENT

\$3,480,000

HARRIS - FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 5 (A political subdivision of the State of Texas located within Harris and Fort Bend Counties)

UNLIMITED TAX REFUNDING BONDS SERIES 2022

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Harris - Fort Bend Counties Municipal Utility District No. 5 (the "District") of its \$3,480,000 Unlimited Tax Refunding Bonds, Series 2022 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapter 1207 of the Texas Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended, City of Houston Ordinance No. 97-416, an election held within and for the District, and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board").

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of documents may be obtained from the District c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056, upon payment of the cost of duplication.

PLAN OF FINANCING

Purpose

The District's voters have authorized the issuance of a total of \$39,600,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, of which \$7,340,000 principal amount will remain authorized, but unissued, after issuance of the Series 2021A Bonds. The District's voters have also authorized a total of \$27,000,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. The District currently has \$26,345,594.10 principal amount of unlimited tax refunding bonds authorized but unissued.

The proceeds of the Bonds and lawfully available debt service funds are being used to currently refund and defease a portion of the District's Unlimited Tax Bonds, Series 2014 totaling \$3,355,000 (the "Refunded Bonds") in order to achieve a net savings in the District's debt service expense. The proceeds will also be used to pay the costs of issuance of the Bonds. See "Sources and Uses of Funds." A total of \$15,135,000 in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds").

Outstanding Bonds

The following table lists the original principal amount of Outstanding Bonds, and the current principal balance of the Outstanding Bonds, the Refunded Bonds and the Remaining Outstanding Bonds.

Series	Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds	Remaining Outstanding Bonds
Unlimited Tax Bonds, Series 2013	\$ 4,375,000	\$ 695,000	\$ -	\$ 695,000
Unlimited Tax Bonds, Series 2014	4,155,000	3,455,000	3,355,000	100,000
Unlimited Tax Bonds, Series 2015	2,015,000	2,015,000	-	2,015,000
Unlimited Tax Refunding Bonds, Series 2019	6,200,000	5,980,000	-	5,980,000
Unlimited Tax Refunding Bonds, Series 2021	3,700,000	3,700,000	-	3,700,000
Unlimited Tax Bonds, Series 2021A	2,645,000	2,645,000	-	2,645,000
Total	\$ 23,090,000	\$ 18,490,000	\$ 3,355,000	\$ 15,135,000
The Bonds				3,480,000
The Bonds and Remaining Outstanding Bonds				\$ 18,615,000

Refunded Bonds

Proceeds of the Bonds, together with lawfully available debt service funds, will be applied to refund and defease the Refunded Bonds in the principal amounts and with maturity dates set forth below and to pay certain costs of issuing the Bonds.

Maturity Date	Series
<u>April 1</u>	<u>2014</u>
2023	\$ 100,000
2024	100,000
2025	100,000
2026	100,000
2027	100,000
2028	100,000
2029	100,000
2030	300,000
2031	550,000
2032	570,000
2033	600,000
2034	<u>635,000</u>
	\$ 3,355,000

Redemption Date: 4/1/2022

Escrow Agreement

The Refunded Bonds, and the interest due thereon, are to be paid on their scheduled interest payment dates until final payment or their redemption date from funds to be deposited with Regions Bank, Houston, Texas, as escrow agent (the “Escrow Agent”).

The Bond Order provides that the District and the Escrow Agent will enter into an escrow agreement (the “Escrow Agreement”) to be dated as of the date of the sale of the Bonds but effective on the date of delivery of the Bonds (expected to be January 12, 2022). The Bond Order further provides that from the proceeds of the sale of the Bonds, along with certain other lawfully available funds of the District, if any, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the “Escrow Fund”) and a portion of such funds will be used to purchase United States Treasury Obligations or open market securities meeting the standards set forth by the law (the “Escrowed Securities”) maturing at such times and amounts as will be sufficient to pay scheduled payments on the Refunded Bonds on their redemption dates. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds or the Remaining Outstanding Bond.

Defeasance of the Refunded Bonds

By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the order authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such deposit, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in the Escrow Fund.

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds, and lawfully available debt service funds of the District, will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds	\$3,480,000.00
Plus: Net Premium on the Bonds.....	35,393.30
Plus: Transfer from Debt Service Fund	36,000.00
Total Sources of Funds.....	\$3,551,393.30
Uses of Funds:	
Deposit to Escrow Fund.....	\$3,418,068.80
Issuance Expenses and Underwriters' Discount (a).....	133,324.50
Total Uses of Funds	\$3,551,393.30

(a) Includes municipal bond insurance premium.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$3,355,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Less: Debt Service on the Refunded Bonds	Plus: Debt Service on the Bonds			Total Debt Service Requirements
			Principal	Interest	Total	
2022	\$ 1,646,078	\$ 110,838		\$ 51,674	\$ 51,674	\$ 1,586,915
2023	1,660,088	209,588	\$ 115,000	70,100	185,100	1,635,600
2024	1,665,225	206,838	115,000	66,650	181,650	1,640,038
2025	1,674,775	203,838	120,000	63,125	183,125	1,654,063
2026	1,664,225	200,838	120,000	59,525	179,525	1,642,913
2027	1,657,525	197,838	120,000	55,925	175,925	1,635,613
2028	1,658,509	194,775	120,000	52,925	172,925	1,636,659
2029	1,662,881	191,650	120,000	50,525	170,525	1,641,756
2030	1,601,119	385,213	315,000	46,963	361,963	1,577,869
2031	1,663,631	621,400	560,000	40,050	600,050	1,642,281
2032	1,080,000	622,844	570,000	29,800	599,800	1,056,956
2033	1,080,131	632,725	590,000	18,200	608,200	1,055,606
2034	1,083,769	646,113	615,000	6,150	621,150	1,058,806
2035	601,081	-	-	-	-	601,081
2036	350,894	-	-	-	-	350,894
2037	348,863	-	-	-	-	348,863
2038	341,775	-	-	-	-	341,775
2039	334,491	-	-	-	-	334,491
2040	326,813	-	-	-	-	326,813
2041	318,938	-	-	-	-	318,938
Total	\$ 22,420,810	\$ 4,424,494	\$ 3,480,000	\$ 611,612	\$ 4,091,612	\$ 22,087,928

Maximum Annual Debt Service Requirement (2025)\$1,654,063
Average Annual Debt Service Requirements (2022-2041).....\$1,104,396

THE BONDS

General

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

Description

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

Authority for Issuance

At elections held within the District on May 6, 1995 and November 5, 2013, voters of the District authorized a total of \$27,000,000 in unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District. The Bonds are issued by the District pursuant to said election held on May 6, 1995, and to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapter 1207, Texas Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; and City of Houston Ordinance No. 97-416.

Source and Security for Payment

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

Funds

The Bond Order confirms the establishment of the District's Bond Fund (the "Bond Fund") which was created and established pursuant to the order(s) of the Board of Directors of the District authorizing the issuance of the Outstanding Bonds and other previously issued bonds. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, the Remaining Outstanding Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, the Remaining Outstanding Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Remaining Outstanding Bonds, and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Record Date

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after April 1, 2028, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on April 1, 2027, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

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

Method of Payment of Principal and Interest

The Board has appointed Regions Bank, Houston, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "BOOK-ENTRY-ONLY SYSTEM."

Registration

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

Replacement of Paying Agent/Registrar

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of \$39,600,000 of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. After issuance of the Series 2021A Bonds the District will have \$7,340,000 of unlimited tax bonds authorized but unissued for said improvements and facilities. The District's voters have also authorized a total of \$27,000,000 of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. After issuance of the Bonds, the District will have \$26,218,448.45 of unlimited tax refunding bonds authorized but unissued.

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

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the Commission; and (c) approval of bonds by the Attorney General of Texas. The District does not provide fire protection service. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds. Although the District has not considered calling a bond authorization election, the District has entered into an Interlocal Agreement with Fort Bend Emergency Services District No. 2 ("ESD 2") to provide fire protection service to the Falcon Landing Subdivision within the District. At an election held on May 1, 2021, the District's voters approved a Fire Protection Plan and said Interlocal Agreement. By entering into said Interlocal Agreement, the District has contracted with ESD 2 to provide the same fire protection services to Falcon Landing that the other properties in the District in Fort Bend County receive from ESD 2 at the same rate, which is currently \$0.10 per \$100 of assessed valuation of taxable property in the area being served. Such other properties are within the boundaries of ESD 2. The District intends to make payments to ESD 2 from revenues collected from the property owners in Falcon Landing.

Financing Road Facilities

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the Commission for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the Commission, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the Commission for "road powers" or calling such an election at this time. Issuance of bonds for roads could dilute the investment security for the Bonds.

Financing Recreational Facilities

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

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

The District has not considered calling an election for such purposes but could consider doing so in the future.

Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed for full purposes by the City of Houston, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City of Houston hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Houston must assume the District's assets and obligations (including the Bonds and the Remaining Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. 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 attempt to annex the District for full purposes 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. Under the terms of the SPA (as hereinafter defined) between the District and the City of Houston, however, the City has agreed not to annex the District for full purposes (a traditional municipal annexation) for at least thirty (30) years from the effective date of the SPA. See "THE DISTRICT—Strategic Partnership Agreement." The District could consent to a full purpose annexation prior to that time by agreeing to amend the SPA to such effect, however, the District currently has no intention to do so.

Consolidation

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

Remedies in Event of Default

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation of ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, 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 maturity, and will be deposited with DTC.

DTC, the world's largest 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 an S&P Global Ratings rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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.

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. 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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

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.

THE DISTRICT

General

The District is a municipal utility district created by an order of the Texas Natural Resource Conservation Commission, a predecessor to the Commission, dated February 17, 1995, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston (except as described below under "Strategic Partnership Agreement"), is subject to the continuing supervisory jurisdiction of the Commission.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the Commission and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, subject to the granting of road powers by the Commission and certain limitations, develop and finance roads. See "THE BONDS—Issuance of Additional Debt" and "Financing Recreational Facilities" and "Financing Road Facilities."

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

Strategic Partnership Agreement

The District and the City of Houston (the "City") have entered into a Third Amended and Restated Strategic Partnership Agreement dated effective December 31, 2018 (the "SPA") pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" for that portion of the District which is developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" for at least thirty (30) years from the effective date of the original SPA dated effective as of December 4, 2009. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater and drainage facilities must be assumed by the City to the maximum extent permitted by Commission rules. The procedures for full purpose annexation under the SPA may differ from those otherwise applicable under Chapter 43, Texas Local Government Code, including any requirements for an election. See "THE BONDS—Annexation."

As of the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion includes primarily the approximately 110 acres of retail and commercial development within the District. The City pays to the District an amount equal to one half (1/2) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the "Sales Tax Revenue"). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds or the Remaining Outstanding Bonds.

Description and Location

The District is located in Harris and Fort Bend Counties, approximately 26 miles west of the central downtown business district of the City of Houston and contains approximately 494 acres of land. Access to the District is provided by State Highway 99 (Grand Parkway), Westheimer Parkway and Bayhill Boulevard. The District is located entirely within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Katy Independent School District.

Residential Development

Residential development in the District currently includes Falcon Landing, Sections One, and Three through Ten, and Katy Creek Ranch, Sections One through Ten. Development within the District includes 1,373 single-family residential lots on approximately 317 acres. As of September 5, 2021, 1,356 homes were completed and occupied, 8 homes were completed and unoccupied, 3 homes were under construction in a builder's name and 6 lots were vacant. Legend Homes has recently started constructing homes in Katy Creek Ranch Section Ten, which range in sales price from \$254,990 to \$292,990. Solea Cinco Ranch, an active adult apartment complex, has been constructed on approximately 9 acres of land.

Commercial Development

Approximately 70 acres have been developed for commercial purposes. Commercial development includes a Kroger Grocery Store with an adjacent 18,300 square foot retail center, a Kroger's gas station, a Wells Fargo Bank and a Jack in the Box occupying pad sites. Commercial development also includes 2 small retail centers which are occupied by restaurants, title companies, a flooring company, an Avis Rental Car facility, and several nail and hair salons. A Christian Brothers Automotive, a Good Year Tire Store, a Traditions Bank, a Kwik Kar Lube and Tune, a Shell Service Station, which includes a McDonald's restaurant, a Timewise convenience store and gas station, a swim academy, a funeral home, a Walmart Neighborhood Market and the Westwood Gymnastics facility have also been constructed in the District. Marcel Commons Retail, LLC and Marcel Commons Retail Pad, LLC (collectively, "Marcel Commons") have built commercial improvements on four tracts of land cumulatively totaling 4.608 acres of land. Marcel Commons includes a retail center and office building constructed on approximately 10 acres of land.

Other Development

The Westland Baptist Church and the Church of the Holy Apostles have been constructed on approximately 26 acres. The property of both churches is exempt from ad valorem taxation by the District.

Undeveloped Acreage

There are approximately 12 acres of developable land in the District which are not currently provided with water distribution, wastewater collection and storm drainage facilities and approximately 45 acres in the District that are undevelopable.

THE DEVELOPER

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project; defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is generally required by the Commission to advance funds to pave streets (in areas where District facilities are being financed with bonds) and finance the construction of the water, wastewater and storm drainage facilities, such advances to be paid (except for paving costs) from the sale of district bonds to the extent allowed by the Commission, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer’s right to sell any or all of the land which the developer owns within a district.

Katy Creek Ranch, LP

Katy Creek Ranch, LP (“Katy Creek”) (the “Developer”), a Texas limited partnership, has developed Katy Creek Ranch, Sections One through Ten. The general partner of Katy Creek is Katy Creek Ranch GP, LLC, a Texas limited liability company.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms in May of even numbered years only. All of the Board members either reside or own property within the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jack R. Wells, Jr.	President	May 2024
Elizabeth Cabellero	Vice President	May 2022
Patrice Castillo	Secretary	May 2022
Ronald Boatman, Jr.	Assistant Secretary	May 2022
David Glunt	Director	May 2024

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

Bond Counsel and General Counsel

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

Financial Advisor

Masterson Advisors LLC serves as the District’s Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Tax Assessor/Collector

Land and improvements in the District are appraised for taxation by the Fort Bend Central Appraisal District (“FBCAD”) for properties located within Fort Bend County and the Harris County Appraisal District (“HCAD”) for properties located within Harris County. The District contracts with B&A Municipal Tax Services, LLC to act as Tax Assessor/Collector for the District.

System Operator

The District contracts with Municipal District Services, LLC for maintenance and operation of the District's system.

Bookkeeper

The District contracts with Municipal Accounts & Consulting, L.P. for bookkeeping services for the District.

Engineer

Vogler & Spencer Engineering, Inc. (the “Engineer”) provides consulting engineering services to the District.

Auditor

The financial statements of the District as of December 31, 2020, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX A.”

THE SYSTEM

Regulation

According to the Engineer, the District's water distribution, wastewater collection, and storm drainage facilities (collectively, the “System”) have been designed in accordance with accepted engineering practices and the then current requirements of various agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction and operation of the System was to be accomplished in accordance with the standards and specifications and requirements of such entities and is subject to inspection by each such entity. The Commission exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the Commission and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of Harris County, Fort Bend County and, in some instances, the Commission. Harris County, Fort Bend County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant which provides service to the District beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District's Engineer.

Water Distribution and Sanitary Sewer Collection and Drainage System

The District’s System includes water, sanitary sewer and drainage facilities to serve the subdivisions and other development described under the sections “THE DISTRICT—Residential Development; Commercial Development and Other Development.”

Water Supply

Water supply for the District is provided by two water plants jointly owned with Harris – Fort Bend Counties Municipal Utility District No. 1 (“H-FBCMUD No. 1”), and operated by the District which are capable of serving 3,722 equivalent single family connections (“esfcs”), of which the District owns 2,276 esfcs. Water Plant No. 1 and Water Plant No. 2 each has a 1,225 gallon per minute (“gpm”) well. The District’s water supply facilities include 60,000 gallons of pressure tank capacity, 1,050,000 gallons of ground storage capacity and 7,450 gpm booster pump capacity. The District’s water system is currently serving approximately 1,776 esfcs in the District.

The District and H-FBCMUD No. 1 have an emergency water supply interconnect with Fort Bend County Municipal Utility District No. 37, Fort Bend County Municipal Utility District No. 185 and with Harris – Fort Bend Counties Municipal Utility District No. 3.

Subsidence District Requirements

The water production facilities operated by the District and serving H-FBCMUD No. 1 and the District are within the boundaries of the Fort Bend Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal. On September 24, 2003, the Subsidence District adopted a Regulatory Plan (the "Regulatory Plan") to reduce groundwater withdrawal through the conversion to surface water or other alternative water sources in certain areas within FBSD's jurisdiction. In 2005, the Texas legislature created the North Fort Bend Water Authority (the "Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Fort Bend County (including the District) and a small portion of Harris County. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District and H-FBCMUD No. 1 are included within the Authority's GRP.

The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees imposed on the District for groundwater pumped by the District), user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the District, and a rate per 1,000 gallons based on the amount, if any, of surface water received from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2025 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 to: (i) limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP, beginning in the year 2014; and (ii) limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP, beginning in the year 2025. If the Authority fails to comply with the above Subsidence District regulations, the Authority is subject to a disincentive fee penalty of \$6.50 per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 40% of the total annual water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely seek monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges which may be due the Authority for future years, but anticipates that such fees will increase and the need to continue passing such fees through to its customers through higher water and sewer rates. In addition, conversion to surface water could necessitate improvements to the District's water supply system which could require issuance of additional bonds. In the event the Authority fails to reduce groundwater withdrawal to the levels specified in the Regulatory Plan by the deadlines established by the Subsidence District, then the District and others within the Authority's GRP group will be required to pay a disincentive fee on withdrawn groundwater. The District expects it would need to pass such fee through to its customers through higher water and sewer rates or with portions of its maintenance tax proceeds. This fee would be in addition to the Authority's fee.

Wastewater Treatment Facilities

The District and H-FBCMUD No. 1 jointly own a wastewater treatment plant which currently has capacity to treat 995,000 gallons per day. The District's allocated capacity in the wastewater treatment plant is 60.63%, which is sufficient to serve 2,155 esfc. The District is currently serving approximately 1,667 esfc.

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.

Approximately 2.8 acres of the Katy Creek Ranch development was located in the 100-year flood plain according to the Federal Emergency Management Agency (“FEMA”) Flood Insurance Rate Map dated January 3, 1997. A request for a Conditional Letter of Map Revision (“CLOMR”) was submitted to Fort Bend County and FEMA. A CLOMR was approved and a Letter of Map Revision was issued. An additional approximately 10 acres of the Katy Creek Ranch development (Katy Creek Ranch Section Ten) was located in the 100-year flood plain according to the FEMA Flood Insurance Rate Map revised February 14, 2017. After fill was added to the site to remove the property from the flood plain, a LOMR-F was submitted to FEMA and approved. As additional development within the District is proposed in the flood plain, fill is used to remove the area from the flood plain and a LOMR is submitted to revise the flood plain maps. See “INVESTMENT CONSIDERATIONS—Extreme Weather Events; Hurricane Harvey.”

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas for the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

WATER AND SEWER OPERATIONS

General

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

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ended December 31, 2017 through 2020 and an unaudited summary from the District's bookkeeper for the period ended October 31, 2021. Reference is made to such records and statements for further and more complete information.

	UNAUDITED 1/1/2021 through 10/31/2021 (a)	Fiscal Year Ended December 31			
		2020	2019	2018	2017
Revenues					
Property Taxes	\$ 516,877	\$ 529,012	\$ 510,455	\$ 491,712	\$ 467,281
City of Houston Tax Rebates	154,573	154,064	152,082	154,702	161,011
Service Revenue	938,051	1,138,920	1,105,778	1,029,742	1,045,708
Regional Water Fee	579,721	662,372	591,932	503,368	496,757
Penalty and Interest	26,133	18,648	31,713	31,940	31,990
Tap Connection and Inspection Fees	59,610	64,179	78,550	365,515	20,235
Investment Income	29,198	72,631	122,910	73,503	35,341
Other Income	112,961	23,747	29,180	34,599	43,851
Total Revenues	\$ 2,417,125	\$ 2,663,573	\$ 2,622,600	\$ 2,685,081	\$ 2,302,174
Expenditures					
Purchased Water Service	\$ 422,336	\$ 408,385	\$ 61,320	\$ 638,993	\$ 508,545
Professional Fees	162,713	160,709	159,469	144,919	200,451
Contracted Services	687,386	412,522	397,097	379,824	360,226
Utilities	3,225	3,383	3,937	4,026	4,107
Repairs and Maintenance	169,843	289,007	272,858	205,131	253,639
Other Expenditures	123,951	101,011	109,229	104,405	102,094
Authority Pumpage Fees	635,639	754,017	636,226	520,006	514,628
Tap Connections	20,050	14,900	26,500	126,152	-
Capital Outlay	33,339	37,563	7,916	85,524	859,822
Total Expenditures	\$ 2,258,482	\$ 2,181,497	\$ 1,674,552	\$ 2,208,980	\$ 2,803,512
Net Revenues	\$ 158,643	\$ 482,076	\$ 948,048	\$ 476,101	\$ (501,338)
Other Sources (Interfund Transfer)	\$ 32,530	\$ 22,271	\$ 129,825	\$ 126,697	\$ 74,193
Fund Balance (Beginning of Year)	\$ 6,277,455	\$ 5,773,108	\$ 4,695,235	\$ 4,092,437	\$ 4,519,582
Fund Balance (End of Year)	\$ 6,468,628	\$ 6,277,455	\$ 5,773,108	\$ 4,695,235	\$ 4,092,437

(a) Unaudited. Provided by the District's bookkeeper.

FINANCIAL STATEMENT (UNAUDITED)

2021 Taxable Assessed Valuation	\$492,930,668 (a)
Gross Direct Debt Outstanding	\$18,615,000 (b)
Estimated Overlapping Debt	26,141,400 (c)
Gross Direct Debt and Estimated Overlapping Debt	\$44,756,440
Ratio of Gross Direct Debt to:	
2021 Taxable Assessed Valuation	3.78%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:	
2021 Taxable Assessed Valuation	9.08%
Debt Service Funds Available as of November 17, 2021	\$1,616,772 (d)
Operating Funds Available as of November 17, 2021	\$6,340,087
Capital Projects Funds Available as of November 17, 2021	\$205,726

- (a) The Harris County Appraisal District ("HCAD") has certified \$12,496,625 of taxable value on the properties located within the District in Harris County. The Fort Bend Central Appraisal District ("FBCAD") has certified \$480,434,043 on the properties located within the District in Fort Bend County. See "TAXING PROCEDURES."
- (b) After the issuance of the Bonds and including the District's Series 2021A Bonds, expected to be issued on December 21, 2021. See "PLAN OF FINANCING—Outstanding Bonds."
- (c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt" and "Overlapping Taxes."
- (d) The District will apply \$36,000 from the Debt Service Fund, together with Bond proceeds, to currently refund a portion of the Outstanding Bonds.

District Investment Policy

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

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 from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas or other publicly available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. 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 Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Fort Bend County	\$ 632,206,234	10/31/2021	0.60%	\$ 3,814,788
Fort Bend County Drainage District	25,405,000	10/31/2021	0.61%	154,367
Harris County	1,584,697,125	10/31/2021	0.09%	1,499,768
Harris County Flood Control District	584,900,000	10/31/2021	0.10%	563,097
Harris County Hospital District	81,540,000	10/31/2021	0.10%	78,485
Harris County Department of Education	20,185,000	10/31/2021	0.09%	19,098
Port of Houston Authority	469,434,397	10/31/2021	0.10%	451,961
Katy Independent School District	1,840,005,230	10/31/2021	1.06%	19,559,876
Total Estimated Overlapping Debt				\$ 26,141,440
 The District	 18,615,000 (a)	 Current	 100.00%	 18,615,000
Total Direct and Estimated Overlapping Debt				\$ 44,756,440
Direct and Estimated Overlapping Debt as a Percentage of:				
2021 Certified Taxable Assessed Valuation of \$492,930,668				9.08%

(a) Includes the Bonds and the Remaining Outstanding Bonds.

Overlapping Taxes for 2021

<u>Overlapping Entity</u>	2021 Tax Rate per \$100 of Assessed Valuation <u>(Fort Bend County)</u>	2021 Tax Rate per \$100 of Assessed Valuation <u>(Harris County)</u>
Fort Bend County	\$ 0.438300	
Harris County (a)		\$ 0.586340
Katy Independent School District	1.351700	1.351700
Harris County ESD No. 48		0.095234
Fort Bend ESD No. 2	0.100000	
Fort Bend County Drainage District	0.014500	
The District	<u>0.450000</u>	<u>0.450000</u>
Total	\$ 2.354500	\$ 2.483274

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

TAX DATA

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District's Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See "Tax Roll Information" below.

<u>Tax Year</u>	<u>Taxable Assessed Valuation</u>	<u>Tax Rate</u>	<u>Total Tax Levy</u>	<u>Total Collections as of September 30, 2021 (a)</u>	
				<u>Amount</u>	<u>Percent</u>
2016	\$ 390,067,489	\$ 0.5400	\$ 2,106,360	\$ 2,103,741	99.88%
2017	409,634,502	0.5150	2,109,614	2,105,713	99.82%
2018	426,950,219	0.5050	2,155,668	2,151,290	99.80%
2019	443,308,136	0.4800	2,126,846	2,120,015	99.68%
2020	462,772,812	0.4600	2,109,194	2,090,386	99.11%
2021	492,930,668	0.4500	2,218,188	(b)	(b)

(a) Unaudited.

(b) In process of collection. Taxes for the 2021 year are due on January 31, 2022.

Taxes are due upon receipt of a bill therefor and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. Split payments, discounts, installments, and postponement of the delivery date are allowed under circumstances. See "TAX PROCEDURES—Levy and Collection of Taxes."

Historical Tax Rate Distribution

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Debt Service	\$ 0.3300	\$ 0.3400	\$ 0.3600	\$ 0.3850	\$ 0.3950
Maintenance and Operations	\$ 0.1200	\$ 0.1200	\$ 0.1200	\$ 0.1200	\$ 0.1200
Total	\$ 0.4500	\$ 0.4600	\$ 0.4800	\$ 0.5050	\$ 0.5150

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance: \$1.00 per \$100 Assessed Valuation

Debt Service Tax

The District will covenant 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 which, when added to other funds legally available to the District for payment of outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on such debt.

Maintenance Tax

The District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. On May 6, 1995, voters in the District authorized the Board to levy such a maintenance tax in an amount not to exceed \$1.00 per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Remaining Outstanding Bonds and any additional unlimited tax bonds which may be issued in the future. The District levied a maintenance tax for 2021 in the amount of \$0.12 per \$100 assessed valuation.

Summary of Assessed Valuation

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of property comprising the 2017 through 2021 Taxable Assessed Valuation. No tax will be levied on such amount. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. Differences in values from other information herein are due to differences in dates of information provided.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land	\$ 123,867,446	\$ 118,765,724	\$ 115,457,307	\$ 111,204,598	\$ 92,661,958
Improvements	399,789,595	370,662,231	356,222,509	344,712,145	343,417,408
Personal Property	21,763,566	25,371,656	21,112,092	19,651,889	18,656,168
Exemptions	(52,489,939)	(52,026,799)	(49,483,772)	(48,618,413)	(45,101,032)
Total	<u>\$ 492,930,668</u>	<u>\$ 462,772,812</u>	<u>\$ 443,308,136</u>	<u>\$ 426,950,219</u>	<u>\$ 409,634,502</u>

Principal Taxpayers

The following table represents the ten principal taxpayers, the taxable appraised value of such property, and such property's taxable assessed value as a percentage of the 2021 Taxable Assessed Valuation of \$492,930,668. This represents ownership as of January 1, 2021.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2021 Certified Taxable Assessed Valuation</u>	<u>% of 2021 Certified Taxable Assessed Valuation</u>
EPC Stream Cinco LLC	Land, Improvements & Personal	\$ 15,243,529	3.09%
Kroger Texas LP	Land, Improvements & Personal	13,041,680	2.65%
Marcel Plaza of Katy LLC	Land and Improvements	9,396,300	1.91%
Avis Budget Car Rental LLC	Personal	7,985,320	1.62%
Grand Parkway Crossing LLC	Land and Improvements	5,929,120	1.20%
Mosaic Retail LLC	Land and Improvements	5,917,580	1.20%
Almanara Texas Inc.	Land and Improvements	4,700,540	0.95%
Katy Parkway Market LLC	Land and Improvements	4,678,841	0.95%
Katy W-M LLC	Land and Improvements	4,450,000	0.90%
Marcel Commons Office Katy LLC	Land and Improvements	4,123,590	0.84%
Total		<u>\$ 75,466,500</u>	<u>15.31%</u>

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 appraised valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2021 Taxable Assessed Valuation of \$492,930,668. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Remaining Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "PLAN OF FINANCING—Debt Service Requirements" and "INVESTMENT CONSIDERATIONS—Maximum Impact on District Tax Rate."

Average Annual Debt Service Requirement (2022-2041)	\$1,104,396
\$0.24 Tax Rate on the 2021 Taxable Assessed Valuation	\$1,123,882
Maximum Annual Debt Service Requirement (2025).....	\$1,654,063
\$0.36 Tax Rate on the 2021 Taxable Assessed Valuation	\$1,685,823

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Property Tax Code") requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The District is located in Harris County and Fort Bend County. The Harris County Appraisal District has the responsibility for appraising property in the District located within Harris County and the Fort Bend Central Appraisal District has the responsibility for appraising property in the District located within Fort Bend County. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board or the Fort Bend County Appraisal Review Board, as applicable. Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of said appraisal review boards by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by either the Harris County Appraisal District or the Fort Bend Central Appraisal District, as applicable, and approved by the applicable appraisal review board, must be used by each taxing jurisdiction in establishing its tax roll and rate. The District is eligible, along with all other conservation and reclamation district within Harris County and Fort Bend County, to participate in the nomination of and vote for a member of the Board of Directors of each county's respective appraisal district.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2021 tax year, the District has granted an exemption of \$10,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the

market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces or, a first responder (as defined under Texas law) who was (i) killed in action, or (ii) 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.

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

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2021 tax year, the District has granted a 10% general residential homestead exemption. The total value of the general residential homestead exemption for 2021 was \$24,652,587.

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. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by 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 Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election could be required to determine whether to approve the adopted total tax rate. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2021, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

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

Levy and Collection of Taxes

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

(ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code classifies certain special purpose districts, including the District, differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified herein as “Low Tax Rate Districts.” Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as “Developed Districts.” Districts that do not meet either of the classifications previously discussed can be classified herein as “Developing Districts.” The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. See “SELECTED FINANCIAL INFORMATION” for a description of the District’s current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

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

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

The District: A determination as to a district’s status as a Low Tax Rate District, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District has been designated as a Developing District for the 2021 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District’s future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

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

INVESTMENT CONSIDERATIONS

General

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

Infectious Disease Outlook (COVID-19)

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

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

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

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Extreme Weather Events; Hurricane Harvey

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the Operator, there was no interruption of water and sewer service as a result of Hurricane Harvey. According to the Engineer, the District's Water Plant No. 2 sustained flood damage that caused the plant to lose power, including backup power from the outside generator, during Hurricane Harvey. Water Plant No. 2 was put back online and is fully functional. To the knowledge of the District, approximately 30 homes within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

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 tax payer 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.

Specific Flood Type Risks

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

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

Economic Factors

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and commercial improvements. The market value of such properties is related to general economic conditions affecting the demand for such properties. See "THE DISTRICT—Status of Development."

Future Debt

The District reserves in the Bond Order the right to issue the \$7,340,000 in principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing water, sanitary and drainage facilities remaining after the issuance of the Series 2021A Bonds and the \$26,218,448.45 in principal amount of authorized but unissued unlimited tax refunding bonds remaining after the issuance of the Bonds. The District's voters may authorize additional bonds. See "THE BONDS—Issuance of Additional Debt," "— Financing Roads," and "—Financing Recreational Facilities." The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities or recreational facilities must be approved by the Commission. The District can make no representation that any additional development will occur within the District.

In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS— Issuance of Additional Debt."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on 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 "TAX PROCEDURES—District's Rights in the Event of Tax Delinquencies."

Registered Owners Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Beneficial Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Beneficial 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 Beneficial Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Beneficial Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Beneficial Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must also obtain the approval of the Commission prior to filing bankruptcy. Such law requires that the Commission investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

A district may not be forced into bankruptcy involuntarily.

Environmental Regulation and Air Quality

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

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

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

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

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

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court's ruling, the TCEQ has developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB Area redesignation request under the 1997 Ozone Standards on September 5, 2018.

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

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

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

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

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

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

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain 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.

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

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

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

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

In June and July of 2021, the EPA and USACE announced plans to further revise the definition of “waters of the United States.” On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. In light of this order, the EPA and the USACE announced that they have halted implementation of the NWPR and are interpreting “waters of the United States” consistent with the pre-2015 regulatory regime until further notice while continuing to move forward with the rulemakings announced in June of 2021. Due to existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

The Commission renewed 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 small municipal separate storm sewer systems (“MS4s”). The District is not currently subject to the required MS4 Permit. In the event the District becomes subject to the renewed MS4 Permit, it is anticipated that the District could incur substantial costs to develop and implement the required plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the renewed MS4 Permit.

Marketability of the Bonds

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

Continuing Compliance with Certain Covenants

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has entered into an agreement with Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND INSURANCE.”

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

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

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

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.

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) is expected to 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 Assured Guaranty Municipal Corp. S&P has also assigned an underlying rating of “A-” to the Bonds. An explanation of the ratings may be obtained from S&P.

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and

in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

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

On July 8, 2021, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Capitalization of AGM

At September 30, 2021:

- The policyholders' surplus of AGM was approximately \$2,910 million.
- The contingency reserve of AGM was approximately \$963 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,124 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 (filed by AGL with the SEC on August 6, 2021); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2021 (filed by AGL with the SEC on November 5, 2021).

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

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

Miscellaneous Matters

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

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. The District will also furnish the legal opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel to the District, to the effect that interest on the Bonds is excludable from gross income of the owners for federal income tax purposes under existing law and not subject to the alternative minimum tax on individuals, or, except as described therein, corporations.

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

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "Plan of Financing – Escrow Agreement," and – "Defeasance of the Refunded Bonds" (but only insofar as such section relates to the legal opinion of Bond Counsel), "THE BONDS," "THE DISTRICT - General," - "Strategic Partnership Agreement" and – "Management of the District - Bond Counsel and General Counsel," "TAXING PROCEDURES," and "LEGAL MATTERS – Legal Opinions" (insofar as such section relates to the opinion of Bond Counsel) solely to determine whether such information fairly summarizes the law and documents referred to therein. In its capacity as Special Tax Counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas has reviewed the information appearing in this Official Statement under the caption "LEGAL MATTERS–Legal Opinions" (insofar as such section relates to the opinion of Special Tax Counsel) and "TAX MATTERS" solely to determine whether such information fairly summarizes the law referred to therein. Such firms have not independently verified factual information contained in this Official Statement, nor have such firms conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firms' limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law") (i) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (ii) the Bonds will not be treated as "specified private activity bonds" the interest of 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"). Except as stated above, Special Tax Counsel to the District 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, Special Tax Counsel will rely upon (a) the opinion of Bond Counsel, that the Bonds are valid and binding obligations of the District payable from the proceeds of a generally-applicable ad valorem tax, (b) the District's federal tax certificate and the verification report prepared by Robert Thomas, CPA, LLC and (c) covenants of the District with respect to arbitrage compliance, the application of the proceeds to be received from the issuance and sale of the Bonds and the Refunded Bonds. 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 Special Tax Counsel to the District is conditioned on compliance by the District with such requirements, and Special Tax Counsel to the District has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Special Tax Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Special Tax 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 or the Refunded 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 Special Tax 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.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering 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 accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and 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 Original Issue Discount Bond.

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

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, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, 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.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer’s taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a “financial institution” allocable to tax-exempt obligations, other than “private activity bonds,” that are designated by a “qualified small issuer” as “qualified tax-exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any “on-behalf of” and “subordinate” issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term “financial institution” as any “bank” described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person’s trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a “bank,” as defined in Section 585(1)(2) of the Code, for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty-percent (20%) as a “financial institution preference item.”

The District has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as “qualified tax-exempt obligations.” Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be “qualified tax-exempt obligations.”

VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC will deliver to the Issuer, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal and interest on the Escrowed Securities deposited with the Escrow Agent, to pay, when due, the maturing principal of and interest on the Refunded Bonds, (b) the mathematical computations of yield used by Special Tax Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes and (c) the mathematical computations related to certain requirements of the City of Houston Ordinance No. 97-416, as amended.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the Issuer. In addition, Public Finance Partners LLC has relied on any information provided to it by the Issuer’s retained advisors, consultants or legal counsel.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction.

The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

NO MATERIAL ADVERSE CHANGE

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

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Underwriter a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Underwriter

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

Consultants

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants.

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the Certified Taxable Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by B&A Municipal Tax Services, LLC, and is included herein in reliance upon B&A Municipal Tax Services, LLC as an expert in collecting taxes.

Appraisal District: The information contained in this Official Statement relating to the Assessed Valuations of the District has been provided by the Harris County Appraisal District and the Fort Bend Central Appraisal District and has been included herein in reliance upon the authority of such entities as experts in assessing the values of property in Harris County and in Fort Bend County, respectively, including the District.

Engineer: The information contained in this Official Statement relating to engineering and to the description of the System and, in particular that information included in the sections entitled “THE DISTRICT,” and “THE SYSTEM” (as it relates to District facilities) has been provided by Vogler & Spencer Engineering, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The financial statements of the District as of December 31, 2020, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX A.”

Bookkeeper: The information related to the “unaudited” summary of the District's General Operating Fund as it appears in “WATER AND SEWER OPERATIONS” has been provided by Municipal Accounts & Consulting, L.P. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain 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 “FINANCIAL STATEMENT (UNAUDITED),” “WATER AND SEWER OPERATIONS,” “TAX DATA,” “DEBT SERVICE REQUIREMENTS” (most of which information is contained in the District’s annual audited financial statements) and in APPENDIX A (Independent Auditor’s Report and Financial Statements of the District). 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 2021.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated financial information and operating data 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 will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is December 31. Accordingly, it must provide updated information by June 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 events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person 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 a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "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 financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

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 an internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects; nor has the District 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 Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

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

MISCELLANEOUS

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

/s/ Jack R. Wells, Jr.
President, Board of Directors

ATTEST:

/s/ Patrice Castillo
Secretary, Board of Directors

APPENDIX A

**Independent Auditor's Report and Financial Statements of the District
for the year ended December 31, 2020**

Harris-Fort Bend Counties Municipal Utility District No. 5

Harris and Fort Bend Counties, Texas

Independent Auditor's Report and Financial Statements

December 31, 2020



Harris-Fort Bend Counties Municipal Utility District No. 5

December 31, 2020

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Independent Auditor's Report

Board of Directors
Harris-Fort Bend Counties Municipal Utility District No. 5
Harris and Fort Bend Counties, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris-Fort Bend Counties Municipal Utility District No. 5 (the District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2020, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

BKD, LLP

Houston, Texas
May 13, 2021

Harris-Fort Bend Counties Municipal Utility District No. 5

Management's Discussion and Analysis

December 31, 2020

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

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

Harris-Fort Bend Counties Municipal Utility District No. 5

Management's Discussion and Analysis (Continued)

December 31, 2020

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

Harris-Fort Bend Counties Municipal Utility District No. 5
Management's Discussion and Analysis (Continued)
December 31, 2020

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2020	2019
Current and other assets	\$ 11,273,512	\$ 10,892,007
Capital assets	<u>17,296,124</u>	<u>17,125,053</u>
Total assets	<u>28,569,636</u>	<u>28,017,060</u>
Deferred outflows of resources	<u>156,021</u>	<u>181,368</u>
Total assets and deferred outflows of resources	<u>\$ 28,725,657</u>	<u>\$ 28,198,428</u>
Long-term liabilities	\$ 17,890,520	\$ 18,151,390
Other liabilities	<u>843,467</u>	<u>958,855</u>
Total liabilities	<u>18,733,987</u>	<u>19,110,245</u>
Deferred inflows of resources	<u>2,128,755</u>	<u>2,142,594</u>
Net position:		
Net investment in capital assets	(267,791)	(674,385)
Restricted	1,824,635	1,866,393
Unrestricted	<u>6,306,071</u>	<u>5,753,581</u>
Total net position	<u>\$ 7,862,915</u>	<u>\$ 6,945,589</u>

The total net position of the District increased by \$917,326, or about 13 percent. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Harris-Fort Bend Counties Municipal Utility District No. 5
Management's Discussion and Analysis (Continued)
December 31, 2020

Summary of Changes in Net Position

	2020	2019
Revenues:		
Property taxes	\$ 2,126,014	\$ 2,148,960
City of Houston tax rebates	155,469	152,138
Charges for services	2,764,754	2,317,225
Other revenues	396,247	772,638
Total revenues	5,442,484	5,390,961
Expenses:		
Services	3,257,700	2,877,513
Depreciation	694,369	686,058
Debt service	573,089	827,399
Total expenses	4,525,158	4,390,970
Change in net position	917,326	999,991
Net position, beginning of year	6,945,589	5,945,598
Net position, end of year	\$ 7,862,915	\$ 6,945,589

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended December 31, 2020, were \$8,381,257, an increase of \$445,431 from the prior year.

The general fund's fund balance increased by \$504,347, due to property taxes, City of Houston (the City) tax rebates and service revenues exceeding service operation and capital outlay expenditures. In addition, tap connection and inspection fee revenues exceeded related expenditures.

The water plant fund's fund balance decreased by \$22,444 due to a decrease in the operating reserve that was reimbursed to the general fund and the wastewater treatment plant fund's fund balance increased by \$173 due to an increase in the operating reserve that was received from the general fund.

The debt service fund's fund balance decreased by \$37,150 due to debt service principal and interest requirements exceeding property tax revenues.

The capital projects fund's fund balance increased by \$505 due to investment income exceeding capital outlay expenditures.

Harris-Fort Bend Counties Municipal Utility District No. 5
Management's Discussion and Analysis (Continued)
December 31, 2020

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to tap connection and inspection fee revenues and regional water fee and repairs and maintenance expenditures being greater than anticipated, as well as professional fees and capital outlay expenditures being less than anticipated. The fund balance as of December 31, 2020, was expected to be \$6,255,182 and the actual end-of-year fund balance was \$6,277,455.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2020	2019
Land and improvements	\$ 2,617,332	\$ 2,450,190
Water facilities	4,386,611	4,580,051
Wastewater facilities	5,996,742	6,116,494
Drainage facilities	4,295,439	3,978,318
Total capital assets	\$ 17,296,124	\$ 17,125,053

During the current year, additions to capital assets were as follows:

Water, sewer and drainage facilities to serve Katy Creek Ranch, Section 10	\$ 803,987
Wastewater treatment plant lift station rebuild of blower No. 1 and lift pump No. 3 and installation of KSB pump	26,289
Installed fencing and replaced lift pump No. 2 at the District's lift station	35,164
Total additions to capital assets	\$ 865,440

A developer of the District has constructed facilities on behalf of the District. The District is maintaining and operating the facilities and has agreed to reimburse the developer for these construction costs and interest to the extent approved by the Commission. The District's engineer estimates reimbursable costs for completed projects are \$875,246. These amounts have been recorded in the financial statements as long-term liabilities.

Harris-Fort Bend Counties Municipal Utility District No. 5
Management's Discussion and Analysis (Continued)
December 31, 2020

Debt

The changes in the debt position of the District during the fiscal year ended December 31, 2020, are summarized as follows:

Long-term debt payable, beginning of year	\$ 18,151,390
Increases in long-term debt	803,988
Decreases in long-term debt	<u>(1,064,858)</u>
Long-term debt payable, end of year	<u>\$ 17,890,520</u>

At December 31, 2020, the District had \$9,985,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

The District's bonds carry an underlying rating of "A-" from Standard & Poor's. The District's Series 2011A refunding, 2013 and 2014 bonds carry a rating of "AA" from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The District's Series 2015 and 2019 refunding bonds carry a rating of "AA" from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent, except as set forth below.

Effective December 31, 2018, the District entered into a Third Amended and Restated Strategic Partnership Agreement (the Agreement) with the City, which annexed certain property within the boundaries of the District into the City for "limited purposes," as described therein. Under the terms of the Agreement, the City has agreed it will not annex the District as a whole for full purposes for 30 years from the effective date of the original Strategic Partnership Agreement dated effective as of December 4, 2009, at which time the City has the option to annex the District if it chooses to do so.

Subsequent Event

On April 7, 2021, the District issued \$3,700,000 in unlimited tax refunding bonds, Series 2021, to refund \$3,680,000 of outstanding Series 2013 bonds. The District refunded the bonds to reduce total debt service payments over future years by \$221,233 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$198,859.

Harris-Fort Bend Counties Municipal Utility District No. 5
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2020

	General Fund	Water Plant	Wastewater Treatment Plant	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets								
Cash	\$ 289,276	\$ 195,473	\$ 80,128	\$ 1,189,263	\$ 100	\$ 1,754,240	\$ -	\$ 1,754,240
Certificates of deposit	3,840,000	-	-	960,000	-	4,800,000	-	4,800,000
Short-term investments	2,317,193	-	-	764,363	208,114	3,289,670	-	3,289,670
Receivables:								
Property taxes	250,044	-	-	710,825	-	960,869	-	960,869
Service accounts	215,611	-	-	-	-	215,611	-	215,611
Sales tax rebates	20,114	-	-	-	-	20,114	21,689	41,803
Accrued penalty and interest	-	-	-	-	-	-	7,382	7,382
Accrued interest	18,003	-	-	1,802	-	19,805	-	19,805
Interfund receivable	340,325	20,741	-	-	-	361,066	(361,066)	-
Due from participants	-	178,817	74,869	-	-	253,686	(81,432)	172,254
Due from others	11,878	-	-	-	-	11,878	-	11,878
Capital assets (net of accumulated depreciation):								
Land and improvements	-	-	-	-	-	-	2,617,332	2,617,332
Infrastructure	-	-	-	-	-	-	14,678,792	14,678,792
Total assets	7,302,444	395,031	154,997	3,626,253	208,214	11,686,939	16,882,697	28,569,636
Deferred Outflows of Resources								
Deferred amount on debt refundings	0	0	0	0	0	0	156,021	156,021
Total assets and deferred outflows of resources	\$ 7,302,444	\$ 395,031	\$ 154,997	\$ 3,626,253	\$ 208,214	\$ 11,686,939	\$ 17,038,718	\$ 28,725,657

Harris-Fort Bend Counties Municipal Utility District No. 5
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
December 31, 2020

	General Fund	Water Plant	Wastewater Treatment Plant	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities								
Accounts payable	\$ 191,466	\$ 128,505	\$ 40,551	\$ 4,667	\$ -	\$ 365,189	\$ (81,432)	\$ 283,757
Accrued interest payable	-	-	-	-	-	-	137,958	137,958
Customer deposits	247,779	-	-	-	-	247,779	-	247,779
Due to participants	-	119,910	51,315	-	-	171,225	-	171,225
Interfund payable	20,741	-	-	340,325	-	361,066	(361,066)	-
Due to others	2,748	-	-	-	-	2,748	-	2,748
Long-term liabilities:								
Due within one year	-	-	-	-	-	-	1,080,000	1,080,000
Due after one year	-	-	-	-	-	-	16,810,520	16,810,520
Total liabilities	462,734	248,415	91,866	344,992	0	1,148,007	17,585,980	18,733,987
Deferred Inflows of Resources								
Deferred property tax revenues	562,255	0	0	1,595,420	0	2,157,675	(28,920)	2,128,755
Fund Balances/Net Position								
Fund balances:								
Restricted:								
Water, sewer and drainage	-	-	-	-	208,214	208,214	(208,214)	-
Unlimited tax bonds	-	-	-	1,685,841	-	1,685,841	(1,685,841)	-
Committed:								
Water production and distribution	-	146,616	-	-	-	146,616	(146,616)	-
Wastewater collection and treatment	-	-	63,131	-	-	63,131	(63,131)	-
Unassigned	6,277,455	-	-	-	-	6,277,455	(6,277,455)	-
Total fund balances	6,277,455	146,616	63,131	1,685,841	208,214	8,381,257	(8,381,257)	0
Total liabilities, deferred inflows of resources and fund balances	\$ 7,302,444	\$ 395,031	\$ 154,997	\$ 3,626,253	\$ 208,214	\$ 11,686,939		
Net position:								
Net investment in capital assets							(267,791)	(267,791)
Restricted for plant operations							209,747	209,747
Restricted for debt service							1,577,258	1,577,258
Restricted for capital projects							37,630	37,630
Unrestricted							6,306,071	6,306,071
Total net position							\$ 7,862,915	\$ 7,862,915

Harris-Fort Bend Counties Municipal Utility District No. 5
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended December 31, 2020

	General Fund	Water Plant	Wastewater Treatment Plant	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues								
Property taxes	\$ 529,012	\$ -	\$ -	\$ 1,587,227	\$ -	\$ 2,116,239	\$ 9,775	\$ 2,126,014
City of Houston tax rebates	154,064	-	-	-	-	154,064	1,405	155,469
Water service	570,197	-	-	-	-	570,197	-	570,197
Sewer service	568,723	-	-	-	-	568,723	-	568,723
Regional water fee	662,372	-	-	-	-	662,372	-	662,372
Participant charges	-	1,580,643	559,143	-	-	2,139,786	(1,176,324)	963,462
Penalty and interest	18,648	-	-	27,163	-	45,811	2,797	48,608
Tap connection and inspection fees	64,179	-	-	-	-	64,179	-	64,179
Investment income	72,631	413	139	25,087	1,560	99,830	-	99,830
Other income	23,747	-	1,549	92	-	25,388	158,242	183,630
Total revenues	2,663,573	1,581,056	560,831	1,639,569	1,560	6,446,589	(1,004,105)	5,442,484
Expenditures/Expenses								
Service operations:								
Purchased services	408,385	-	-	-	-	408,385	(383,777)	24,608
Regional water fee	754,017	1,435,205	-	-	-	2,189,222	(754,017)	1,435,205
Professional fees	160,709	2,000	4,450	8,641	-	175,800	407	176,207
Contracted services	412,522	25,241	34,049	42,643	-	514,455	648	515,103
Utilities	3,383	94,379	60,795	-	-	158,557	-	158,557
Repairs and maintenance	289,007	109,195	357,502	-	-	755,704	24,631	780,335
Other expenditures	101,011	30,829	34,857	5,735	-	172,432	(19,647)	152,785
Tap connections	14,900	-	-	-	-	14,900	-	14,900
Capital outlay	37,563	17,872	69,178	-	1,055	125,668	(125,668)	-
Depreciation	-	-	-	-	-	-	694,369	694,369
Debt service:								
Principal retirement	-	-	-	1,050,000	-	1,050,000	(1,050,000)	-
Interest and fees	-	-	-	569,700	-	569,700	3,389	573,089
Total expenditures/expenses	2,181,497	1,714,721	560,831	1,676,719	1,055	6,134,823	(1,609,665)	4,525,158
Excess (Deficiency) of Revenues								
Over Expenditures	482,076	(133,665)	0	(37,150)	505	311,766	605,560	

Harris-Fort Bend Counties Municipal Utility District No. 5
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances (Continued)
Year Ended December 31, 2020

	General Fund	Water Plant	Wastewater Treatment Plant	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)								
Interfund transfers in (out)	\$ 22,271	\$ (22,444)	\$ 173	\$ -	\$ -	\$ -	\$ -	
Insurance proceeds	-	131,703	-	-	-	131,703	(131,703)	
Recovery from governmental agency	-	1,962	-	-	-	1,962	(1,962)	
Total other financing sources	<u>22,271</u>	<u>111,221</u>	<u>173</u>	<u>0</u>	<u>0</u>	<u>133,665</u>	<u>(133,665)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses								
	504,347	(22,444)	173	(37,150)	505	445,431	(445,431)	
Change in Net Position							917,326	\$ 917,326
Fund Balances/Net Position								
Beginning of year	<u>5,773,108</u>	<u>169,060</u>	<u>62,958</u>	<u>1,722,991</u>	<u>207,709</u>	<u>7,935,826</u>	<u>-</u>	<u>6,945,589</u>
End of year	<u>\$ 6,277,455</u>	<u>\$ 146,616</u>	<u>\$ 63,131</u>	<u>\$ 1,685,841</u>	<u>\$ 208,214</u>	<u>\$ 8,381,257</u>	<u>\$ 0</u>	<u>\$ 7,862,915</u>

Harris-Fort Bend Counties Municipal Utility District No. 5

Notes to Financial Statements

December 31, 2020

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

Harris-Fort Bend Counties Municipal Utility District No. 5 (the District) was created by an order of the Texas Natural Resource Conservation Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective February 17, 1995, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

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

Reporting Entity

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

The District is a participant with Harris-Fort Bend Counties Municipal Utility District No. 1 (HFB No. 1) in joint facilities, which were constructed to maintain and operate water supply and wastewater treatment facilities on behalf of all participants, as further described in Note 8. The Board of the District has the responsibility of approving budgets, setting rates and determining day-to-day operations. Financial information for the joint facilities is included in the special revenue fund. Additional financial information for the joint facilities may be obtained from Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 1400, Houston, Texas 77056.

Government-wide and Fund Financial Statements

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

Harris-Fort Bend Counties Municipal Utility District No. 5

Notes to Financial Statements

December 31, 2020

government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

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

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

The District presents the following major governmental funds:

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

The District has two special revenue funds as follows:

Water Plant Fund – Accounts for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is water service revenues.

Wastewater Treatment Plant Fund – Accounts for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is sewer service revenues.

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

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

Fund Balances – Governmental Funds

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

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

Harris-Fort Bend Counties Municipal Utility District No. 5

Notes to Financial Statements

December 31, 2020

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

Harris-Fort Bend Counties Municipal Utility District No. 5

Notes to Financial Statements

December 31, 2020

Fund Financial Statements

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

Deferred Outflows and Inflows of Resources

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

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Harris-Fort Bend Counties Municipal Utility District No. 5

Notes to Financial Statements

December 31, 2020

Investments and Investment Income

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

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

Property Taxes

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Any collections on the current year tax levy are deferred and recognized in the subsequent fiscal year. Current year revenues recognized are those taxes collected during the fiscal year for prior years' tax levies, plus any collections received during fiscal 2019 on the 2019 levy.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended December 31, 2020, the tax levied in October 2020 is recorded as receivable and deferred inflows of resources and will be considered earned during the fiscal year ending December 31, 2021. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

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

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

Harris-Fort Bend Counties Municipal Utility District No. 5
Notes to Financial Statements
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Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

Debt Issuance Costs

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

Long-term Obligations

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

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

Net Position/Fund Balances

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

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

Harris-Fort Bend Counties Municipal Utility District No. 5
Notes to Financial Statements
December 31, 2020

Reconciliation of Government-wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 17,296,124
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	28,920
Penalty and interest on delinquent taxes is not receivable in the current year and is not reported in the funds.	7,382
Tax rebates are not available in the current year and are not reported in the funds.	21,689
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	156,021
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(137,958)
Long-term debt obligations are not due and payable in the current year and are not reported in the funds.	<u>(17,890,520)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (518,342)</u></u>

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

Change in fund balances.	\$ 445,431
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and noncapitalized costs exceeded capital outlay expenditures in the current year.	(588,693)

Harris-Fort Bend Counties Municipal Utility District No. 5
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December 31, 2020

Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	\$ 1,050,000
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.	13,977
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(3,389)</u>
Change in net position of governmental activities.	<u>\$ 917,326</u>

Note 2: Deposits, Investments and Investment Income

Deposits

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

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

At December 31, 2020, none of the District's bank balances were exposed to custodial credit risk.

Investments

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

Harris-Fort Bend Counties Municipal Utility District No. 5
Notes to Financial Statements
December 31, 2020

The District's investment policy may be more restrictive than the Public Funds Investment Act.

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

At December 31, 2020, the District had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
Texas CLASS	\$ 3,289,670	\$ 3,289,670	\$ 0	\$ 0	\$ 0

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

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2020, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at December 31, 2020, as follows:

Carrying value:	
Deposits	\$ 6,554,240
Investments	<u>3,289,670</u>
Total	<u><u>\$ 9,843,910</u></u>

Harris-Fort Bend Counties Municipal Utility District No. 5
Notes to Financial Statements
December 31, 2020

Included in the following statement of net position captions:

Cash	\$	1,754,240
Certificates of deposit		4,800,000
Short-term investments		3,289,670
Total	\$	9,843,910

Investment Income

Investment income of \$99,830 for the year ended December 31, 2020, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of December 31, 2020:

- Pooled investments of \$3,289,670 are valued at fair value per share of the pool's underlying portfolio.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended December 31, 2020, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	\$ 2,450,190	\$ 167,142	\$ 2,617,332
Capital assets, depreciable:			
Water production and distribution facilities	7,961,119	42,758	8,003,877
Wastewater collection and treatment facilities	10,378,743	173,451	10,552,194
Drainage facilities	6,480,320	482,089	6,962,409
Total capital assets, depreciable	24,820,182	698,298	25,518,480

Harris-Fort Bend Counties Municipal Utility District No. 5
Notes to Financial Statements
December 31, 2020

Governmental Activities (Continued)	Balances, Beginning of Year	Additions	Balances, End of Year
Less accumulated depreciation:			
Water production and distribution facilities	\$ (3,381,068)	\$ (236,198)	\$ (3,617,266)
Wastewater collection and treatment facilities	(4,262,249)	(293,203)	(4,555,452)
Drainage facilities	<u>(2,502,002)</u>	<u>(164,968)</u>	<u>(2,666,970)</u>
Total accumulated depreciation	<u>(10,145,319)</u>	<u>(694,369)</u>	<u>(10,839,688)</u>
Total governmental activities, net	<u>\$ 17,125,053</u>	<u>\$ 171,071</u>	<u>\$ 17,296,124</u>

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended December 31, 2020, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	\$ 17,955,000	\$ -	\$ 1,050,000	\$ 16,905,000	\$ 1,080,000
Add premiums on bonds	313,000	-	25,718	287,282	-
Less discounts on bonds	<u>187,868</u>	<u>-</u>	<u>10,860</u>	<u>177,008</u>	<u>-</u>
	18,080,132	0	1,064,858	17,015,274	1,080,000
Due to developer	<u>71,258</u>	<u>803,988</u>	<u>-</u>	<u>875,246</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 18,151,390</u>	<u>\$ 803,988</u>	<u>\$ 1,064,858</u>	<u>\$ 17,890,520</u>	<u>\$ 1,080,000</u>

Harris-Fort Bend Counties Municipal Utility District No. 5
Notes to Financial Statements
December 31, 2020

General Obligation Bonds

	Refunding Series 2011A	Series 2013
Amounts outstanding, December 31, 2020	\$870,000	\$4,375,000
Interest rates	4.00%	2.75% to 3.00%
Maturity dates, serially beginning/ending	April 1, 2021	April 1, 2022/2031
Interest payment dates	April 1/October 1	April 1/October 1
Callable dates*	April 1, 2019	April 1, 2021
	Series 2014	Series 2015
Amounts outstanding, December 31, 2020	\$3,555,000	\$2,015,000
Interest rates	2.00% to 3.50%	3.00%
Maturity dates, serially beginning/ending	April 1, 2021/2034	April 1, 2022/2035
Interest payment dates	April 1/October 1	April 1/October 1
Callable dates*	April 1, 2022	April 1, 2024
		Refunding Series 2019
Amount outstanding, December 31, 2020		\$6,090,000
Interest rates		2.25% to 4.00%
Maturity dates, serially beginning/ending		April 1, 2021/2030
Interest payment dates		April 1/October 1
Callable date*		April 1, 2025

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

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at December 31, 2020.

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Notes to Financial Statements
December 31, 2020

Year	Principal	Interest	Total
2021	\$ 1,080,000	\$ 531,231	\$ 1,611,231
2022	1,130,000	491,564	1,621,564
2023	1,170,000	452,531	1,622,531
2024	1,215,000	411,519	1,626,519
2025	1,265,000	368,512	1,633,512
2026-2030	6,815,000	1,233,246	8,048,246
2031-2035	4,230,000	265,506	4,495,506
Total	<u>\$ 16,905,000</u>	<u>\$ 3,754,109</u>	<u>\$ 20,659,109</u>

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

Bonds voted	\$ 39,600,000
Bonds sold	29,615,000
Refunding bonds voted	27,000,000
Refunding bond authorization used	536,653

Due to Developer

A developer of the District has constructed facilities on behalf of the District. The District is maintaining and operating the facilities and has agreed to reimburse the developer for these construction costs and interest to the extent approved by the Commission. The District's engineer estimates reimbursable costs for completed projects are \$875,246. These amounts have been recorded in the financial statements as long-term liabilities.

Note 5: Significant Bond Order and Commission Requirements

The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended December 31, 2020, the District levied an ad valorem debt service tax at the rate of \$0.3400 per \$100 of assessed valuation, which resulted in a tax levy of \$1,573,427 on the taxable valuation of \$462,772,812 for the 2020 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are \$1,611,231.

Note 6: Maintenance Taxes

At an election held May 6, 1995, voters authorized a maintenance tax not to exceed \$1.00 per \$100 valuation on all property within the District subject to taxation. During the year ended December 31, 2020, the District levied an ad valorem maintenance tax at the rate of \$0.1200 per \$100 of assessed valuation, which resulted in a tax levy of \$555,328 on the taxable valuation of \$462,772,812 for the 2020 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Harris-Fort Bend Counties Municipal Utility District No. 5

Notes to Financial Statements

December 31, 2020

Note 7: Regional Water Authority

The District is within the boundaries of the North Fort Bend Water Authority (the Authority), which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Fort Bend Subsidence District, which regulates groundwater withdrawal. As of December 31, 2020, the Authority was billing the District \$3.95 per 1,000 gallons of water pumped from its wells. Effective January 1, 2021, the Authority increased said rate to \$4.25 per 1,000 gallons of water pumped from the wells. This amount is subject to future increases.

Note 8: Contracts With Other Districts

Permanent Water Supply

On April 21, 1994, the District entered into a 40-year agreement with HFB No. 1 for the joint construction of permanent water supply facilities. The contract was subsequently amended April 11, 2000, January 16, 2001, June 10, 2003, March 14, 2006, and December 16, 2009. The total billings for the water plant were \$1,580,643 in the current year of which \$746,656 was received by HFB No. 1. Operating costs are shared based on ownership of the facility, which is currently 38.86 percent by HFB No. 1 and 61.14 percent by the District. An operating reserve of \$266,526 has been established with the District contributing \$146,616 and HFB No. 1 contributing \$119,910.

Permanent Wastewater Treatment

On April 21, 1994, the District entered into a 40-year agreement with HFB No. 1 for the joint construction of a permanent wastewater treatment plant. The agreement was subsequently amended on April 11, 2000, December 18, 2002, March 11, 2003, November 19, 2003, July 12, 2005, December 16, 2009, January 1, 2013, and September 16, 2014. Construction of the initial phase of 350,000 gallons per day was completed in November 2000, construction of Phase Two expansion of an additional 350,000 gallons-per-day capacity was completed in July 2005 and completion of Phase Three expansion of an additional 250,000 gallons per-day capacity was completed in August 2008. Operating costs associated with the plant are shared based either on each district's capacity in the plant, which is currently 39.37 percent for HFB No. 1 and 60.63 percent for the District, or on the ratio of each district's flow of waste transported to the plant to total waste transported by both parties with each party's ratio determined based upon the number of active connections of each party to the total number of active connections that transport waste to the plant. The total billings for the wastewater treatment plant were \$559,143 in the current year of which \$255,336 was received by HFB No. 1. An operating reserve of \$114,446 has been established with the District contributing \$63,131 and HFB No. 1 contributing \$51,315.

Harris-Fort Bend Counties Municipal Utility District No. 5
Notes to Financial Statements
December 31, 2020

Note 9: Drainage Channel

On June 15, 2002, the District entered into a 50-year agreement for joint financing and maintenance of drainage facilities with Cimarron Municipal Utility District (Cimarron). Pursuant to the joint agreement, Cimarron paid a pro rata share of the construction and financing costs for the outfall drainage channel and pays a pro rata share of the ongoing operation and maintenance costs for the drainage channel. Cimarron's pro rata share of the drainage channel costs and allocated capacity is 12.66 percent. The District is the title owner of the drainage channel.

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. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 11: Strategic Partnership Agreement

Effective December 31, 2018, the District and the City of Houston (the City) entered into a Third Amended and Restated Strategic Partnership Agreement (the Agreement) under which the City annexed certain property (the tract) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all City sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments by the City, the District agrees to continue to provide and develop water, sewer and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District for full purposes for 30 years from the effective date of the original Strategic Partnership Agreement dated effective as of December 4, 2009. During the current year, the District recorded \$155,469 in revenues related to the Agreement.

Note 12: Fire Protection Services Agreement for Falcon Landing Subdivision

The District and Fort Bend County Emergency Services District No. 2 (ESD 2) entered into that certain Interlocal Agreement for Emergency Services for Falcon Landing dated November 18, 2020, but effective as of September 19, 2020 (the Fire Protection Agreement for Falcon Landing). In accordance with applicable law, the payment obligations of the District under the Fire Protection Agreement for Falcon Landing were contingent upon the District receiving approval from the Commission of a Fire Protection Plan and, if said plan is approved by the Commission, a successful Fire Protection Plan Election. To this end, the District submitted an Application for Approval of a Fire Protection Plan to the Commission, which Fire Protection Plan included the Fire Protection

Harris-Fort Bend Counties Municipal Utility District No. 5

Notes to Financial Statements

December 31, 2020

Agreement for Falcon Landing. The Commission approved the Fire Protection Plan on February 9, 2021. On May 1, 2021, voters of the District approved the Fire Protection Plan and the Fire Protection Agreement for Falcon Landing. As a result, the District intends to charge a flat rate in water bills to customers in the Falcon Landing subdivision of the District of a sufficient amount to pay ESD 2 for fire protection services to said subdivision the equivalent of the ad valorem tax levied by ESD 2 on property within its boundaries. Currently, such tax rate of ESD 2 is \$0.10 per \$100 of assessed valuation. The other areas within the boundaries of the District and within Fort Bend County, Texas, are also within the boundaries of ESD 2 and, therefore, are taxed by ESD 2 for fire protection services. The areas within the boundaries of the District and within the boundaries of Harris County, Texas, are also within the boundaries of Harris County Emergency Services District No. 48 (ESD 48) and, therefore, are taxed by ESD 48 for fire protection services. Fire protection for the Falcon Landing subdivision within the District was provided by the City of Katy, Texas, until September 19, 2020. On that date, the City of Katy, Texas, effectively terminated an interlocal agreement between the City of Katy, Texas, and Fort Bend County, Texas, pursuant to which said city provided said services to the Falcon Landing subdivision in the District in exchange for a certain amount of money paid by Fort Bend County, Texas.

Note 13: Hurricane Harvey

The Houston area sustained widespread flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District sustained material damage at its water plant No. 2 facility. The District filed an insurance claim with their insurance provider and a claim with the Federal Emergency Management Agency (FEMA). During prior years, the District received \$384,284 in insurance proceeds and \$305,341 in recovery from FEMA. During the current year, the District received \$131,703 in insurance proceeds and \$1,962 in recovery from FEMA, which is net of \$44,224 paid to FEMA due to an overpayment.

Note 14: Uncertainties

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

Note 15: Subsequent Event

On April 7, 2021, the District issued \$3,700,000 in unlimited tax refunding bonds, Series 2021, to refund \$3,680,000 of outstanding Series 2013 bonds. The District refunded the bonds to reduce total debt service payments over future years by \$221,233 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$198,859.

Required Supplementary Information

Harris-Fort Bend Counties Municipal Utility District No. 5
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2020

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 514,100	\$ 529,012	\$ 14,912
City of Houston tax rebates	150,000	154,064	4,064
Water service	556,200	570,197	13,997
Sewer service	581,760	568,723	(13,037)
Regional water fee	676,161	662,372	(13,789)
Penalty and interest	31,600	18,648	(12,952)
Tap connection and inspection fees	33,150	64,179	31,029
Investment income	85,622	72,631	(12,991)
Other income	24,333	23,747	(586)
	<u>2,652,926</u>	<u>2,663,573</u>	<u>10,647</u>
Expenditures			
Service operations:			
Purchased services	416,177	408,385	7,792
Regional water fee	676,161	754,017	(77,856)
Professional fees	194,600	160,709	33,891
Contracted services	414,900	412,522	2,378
Utilities	4,000	3,383	617
Repairs and maintenance	250,100	289,007	(38,907)
Other expenditures	122,150	101,011	21,139
Tap connections	4,150	14,900	(10,750)
Capital outlay	110,885	37,563	73,322
	<u>2,193,123</u>	<u>2,181,497</u>	<u>11,626</u>
Excess of Revenues Over Expenditures	459,803	482,076	22,273
Other Financing Sources			
Interfund transfers in	22,271	22,271	-
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	482,074	504,347	22,273
Fund Balance, Beginning of Year	5,773,108	5,773,108	-
Fund Balance, End of Year	<u>\$ 6,255,182</u>	<u>\$ 6,277,455</u>	<u>\$ 22,273</u>

Harris-Fort Bend Counties Municipal Utility District No. 5
Budgetary Comparison Schedule – Water Plant
Year Ended December 31, 2020

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Service fees:			
The District	\$ 879,696	\$ 833,987	\$ (45,709)
Harris-Fort Bend Counties Municipal Utility District No. 1	719,461	746,656	27,195
Investment income	600	413	(187)
Total revenues	<u>1,599,757</u>	<u>1,581,056</u>	<u>(18,701)</u>
Expenditures			
Service operations:			
Regional water fee	1,252,150	1,435,205	(183,055)
Audit fees	2,200	2,000	200
Legal fees	2,500	-	2,500
Engineering fees	8,500	-	8,500
Bookkeeping fees	7,500	7,241	259
Operator fees	18,000	18,000	-
Utilities	88,600	94,379	(5,779)
Repairs and maintenance	141,900	109,195	32,705
Administrative fees	14,107	14,640	(533)
Insurance	12,000	14,118	(2,118)
Miscellaneous	2,300	2,071	229
Capital outlay	50,000	17,872	32,128
Total expenditures	<u>1,599,757</u>	<u>1,714,721</u>	<u>(114,964)</u>
Deficiency of Revenues Over Expenditures	<u>-</u>	<u>(133,665)</u>	<u>(133,665)</u>
Other Financing Sources (Uses)			
Interfund transfers out	-	(22,444)	(22,444)
Insurance proceeds	-	131,703	131,703
Recovery from governmental agency	-	1,962	1,962
Total other financing sources	<u>0</u>	<u>111,221</u>	<u>111,221</u>
Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>-</u>	<u>(22,444)</u>	<u>(22,444)</u>
Fund Balance, Beginning of Year	<u>169,060</u>	<u>169,060</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 169,060</u>	<u>\$ 146,616</u>	<u>\$ (22,444)</u>

Harris-Fort Bend Counties Municipal Utility District No. 5
Budgetary Comparison Schedule – Wastewater Treatment Plant
Year Ended December 31, 2020

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Service fees:			
The District	\$ 252,527	\$ 303,807	\$ 51,280
Harris-Fort Bend Counties Municipal Utility District No. 1	205,258	255,336	50,078
Investment income	200	139	(61)
Other income	6,200	1,549	(4,651)
	<u>464,185</u>	<u>560,831</u>	<u>96,646</u>
Expenditures			
Service operations:			
Audit fees	2,200	2,000	200
Legal fees	10,000	-	10,000
Engineering fees	20,000	2,450	17,550
Bookkeeping fees	7,100	7,049	51
Operator fees	27,000	27,000	-
Utilities	50,100	60,795	(10,695)
Repairs and maintenance	266,300	357,502	(91,202)
Administrative	5,485	6,430	(945)
Postage	100	34	66
Insurance	12,000	14,253	(2,253)
Permit fees	5,200	5,117	83
Garbage	8,700	9,023	(323)
Capital outlay	50,000	69,178	(19,178)
	<u>464,185</u>	<u>560,831</u>	<u>(96,646)</u>
Excess of Revenues Over Expenditures	-	-	-
Other Financing Sources			
Interfund transfers in	-	173	173
	<u>-</u>	<u>173</u>	<u>173</u>
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	-	173	173
Fund Balance, Beginning of Year	<u>62,958</u>	<u>62,958</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 62,958</u>	<u>\$ 63,131</u>	<u>\$ 173</u>

Harris-Fort Bend Counties Municipal Utility District No. 5
Notes to Required Supplementary Information
December 31, 2020

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general, water plant and wastewater treatment plant funds by the District's consultants. The budgets reflect resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budgets prior to the start of its fiscal year. The budgets are not a spending limitation (a legally restricted appropriation). The original budgets of the general fund, water and wastewater treatment plants were not amended during 2020.

The District prepares its annual operating budgets on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedules – General Fund, Water Plant and Wastewater Treatment Plant funds present the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Other Information

Harris-Fort Bend Counties Municipal Utility District No. 5
Other Schedules Included Within This Report
December 31, 2020

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 13-28
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel and Consultants

Harris-Fort Bend Counties Municipal Utility District No. 5

Schedule of Services and Rates

Year Ended December 31, 2020

1. Services provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Security
<input checked="" type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other _____		

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
Water:	\$ 20.00	5,000	N	\$ 2.00	5,001 to 10,000
				\$ 2.50	10,001 to No Limit
Wastewater:	\$ 32.87	0	Y		
Regional water fee:	\$ 3.95	0	N	\$ 3.95	1 to No Limit
Does the District employ winter averaging for wastewater usage?					Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):				Water \$ 69.50	Wastewater \$ 32.87

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	1,387	1,380	x1.0	1,380
1"	15	15	x2.5	38
1 1/2"	6	6	x5.0	30
2"	27	27	x8.0	216
3"	1	1	x15.0	15
4"	-	-	x25.0	-
6"	3	3	x50.0	150
8"	3	3	x80.0	240
10"	-	-	x115.0	-
Total water	1,442	1,435		2,069
Total wastewater	1,393	1,387	x1.0	1,387

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	363,343
Gallons billed to customers:	333,327 **
Water accountability ratio (gallons billed/gallons pumped):	91.74%

*"ESFC" means equivalent single-family connections

**Includes water furnished to other district.

Harris-Fort Bend Counties Municipal Utility District No. 5
Schedule of General Fund Expenditures
Year Ended December 31, 2020

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 19,000	
Legal	82,295	
Engineering	59,414	
Financial advisor	-	
		160,709
Purchased Services for Resale		
Bulk water and wastewater service purchases		408,385
Regional Water Fee		754,017
Contracted Services		
Bookkeeping	29,365	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	101,214	
		130,579
Utilities		3,383
Repairs and Maintenance		289,007
Administrative Expenditures		
Directors' fees	15,300	
Office supplies	9,247	
Insurance	5,755	
Other administrative expenditures	70,709	
		101,011
Capital Outlay		
Capitalized assets	35,164	
Expenditures not capitalized	2,399	
		37,563
Tap Connection Expenditures		14,900
Solid Waste Disposal		281,943
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		-
Total expenditures		\$ 2,181,497

Harris-Fort Bend Counties Municipal Utility District No. 5
Schedule of Temporary Investments
December 31, 2020

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 5000026160	0.20%	10/27/21	\$ 240,000	\$ 85
No. 913000916672	1.50%	03/23/21	240,000	2,811
No. 617	1.80%	01/16/21	240,000	4,131
No. 12072	1.01%	07/11/21	240,000	1,149
No. 440005606	1.65%	02/26/21	240,000	3,298
No. 102306	0.53%	12/13/21	240,000	63
No. 80001158	1.14%	04/09/21	240,000	1,979
No. 4190781	0.60%	08/15/21	240,000	544
No. 2000000165	0.65%	06/10/21	240,000	872
No. 36000281	0.55%	12/13/21	240,000	65
No. 3216000467	0.25%	10/27/21	240,000	107
No. 30027288	0.35%	10/27/21	240,000	150
No. 320382	0.55%	07/06/21	240,000	644
No. 6000029378	0.75%	08/08/21	240,000	715
No. 9009004330	0.75%	04/30/21	240,000	1,198
No. 6550109817	0.45%	10/27/21	240,000	192
Texas CLASS	0.16%	Demand	<u>2,317,193</u>	<u>-</u>
			<u>6,157,193</u>	<u>18,003</u>
Debt Service Fund				
Certificates of Deposit				
No. 91300011932014	0.70%	09/15/21	240,000	492
No. 12610	0.60%	09/15/21	240,000	426
No. 6000035961	0.75%	09/14/21	240,000	533
No. 6002401013	0.55%	09/25/21	240,000	351
Texas CLASS	0.16%	Demand	<u>764,363</u>	<u>-</u>
			<u>1,724,363</u>	<u>1,802</u>
Capital Projects Fund				
Texas CLASS	0.16%	Demand	<u>208,114</u>	<u>0</u>
Totals			<u>\$ 8,089,670</u>	<u>\$ 19,805</u>

Harris-Fort Bend Counties Municipal Utility District No. 5
Analysis of Taxes Levied and Receivable
Year Ended December 31, 2020

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 221,473	\$ 665,915
Additions and corrections to prior years' taxes	(4,122)	(12,458)
Adjusted receivable, beginning of year	217,351	653,457
 2020 Original Tax Levy	 542,732	 1,537,739
Additions and corrections	12,596	35,688
Adjusted tax levy	555,328	1,573,427
Total to be accounted for	772,679	2,226,884
Tax collections: Current year	(312,211)	(884,595)
Prior years	(210,424)	(631,464)
Receivable, end of year	\$ 250,044	\$ 710,825
 Receivable, by Years		
2020	\$ 243,117	\$ 688,832
2019	3,639	10,917
2018	1,505	4,826
2017	909	2,992
2016	582	2,037
2015	75	295
2014	145	485
2012	72	441
Receivable, end of year	\$ 250,044	\$ 710,825

Harris-Fort Bend Counties Municipal Utility District No. 5
Analysis of Taxes Levied and Receivable (Continued)
Year Ended December 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Property Valuations				
Land	\$ 118,765,724	\$ 115,483,194	\$ 111,306,958	\$ 92,661,958
Improvements	370,662,231	358,791,578	346,475,565	347,162,221
Personal property	25,371,656	21,059,721	19,259,662	18,830,872
Exemptions	<u>(52,026,799)</u>	<u>(48,960,744)</u>	<u>(47,952,135)</u>	<u>(44,664,776)</u>
Total property valuations	<u>\$ 462,772,812</u>	<u>\$ 446,373,749</u>	<u>\$ 429,090,050</u>	<u>\$ 413,990,275</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.3400	\$ 0.3600	\$ 0.3850	\$ 0.3950
Maintenance tax rates*	<u>0.1200</u>	<u>0.1200</u>	<u>0.1200</u>	<u>0.1200</u>
Total tax rates per \$100 valuation	<u>\$ 0.4600</u>	<u>\$ 0.4800</u>	<u>\$ 0.5050</u>	<u>\$ 0.5150</u>
Tax Levy	<u>\$ 2,128,755</u>	<u>\$ 2,142,594</u>	<u>\$ 2,166,905</u>	<u>\$ 2,132,050</u>
Percent of Taxes Collected to Taxes Levied**	<u>56%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: \$1.00 on May 6, 1995

**Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

Harris-Fort Bend Counties Municipal Utility District No. 5
Schedule of Long-term Debt Service Requirements by Years
December 31, 2020

	Refunding Series 2011A		
Due During Fiscal Years Ending December 31,	Principal Due April 1	Interest Due April 1, October 1,	Total
2021	<u>\$ 870,000</u>	<u>\$ 17,400</u>	<u>\$ 887,400</u>

Harris-Fort Bend Counties Municipal Utility District No. 5
Schedule of Long-term Debt Service Requirements by Years (Continued)
December 31, 2020

Due During Fiscal Years Ending December 31,	Series 2013		
	Principal Due April 1	Interest Due April 1, October 1,	Total
2021	\$ -	\$ 124,837	\$ 124,837
2022	345,000	120,094	465,094
2023	350,000	110,538	460,538
2024	360,000	100,775	460,775
2025	375,000	90,669	465,669
2026	375,000	80,356	455,356
2027	375,000	70,044	445,044
2028	385,000	59,594	444,594
2029	400,000	48,300	448,300
2030	600,000	33,300	633,300
2031	810,000	12,150	822,150
Totals	\$ 4,375,000	\$ 850,657	\$ 5,225,657

Harris-Fort Bend Counties Municipal Utility District No. 5
Schedule of Long-term Debt Service Requirements by Years (Continued)
December 31, 2020

Due During Fiscal Years Ending December 31,	Series 2014		
	Principal Due April 1	Interest Due April 1, October 1,	Total
2021	\$ 100,000	\$ 114,088	\$ 214,088
2022	100,000	111,963	211,963
2023	100,000	109,587	209,587
2024	100,000	106,838	206,838
2025	100,000	103,837	203,837
2026	100,000	100,838	200,838
2027	100,000	97,837	197,837
2028	100,000	94,775	194,775
2029	100,000	91,650	191,650
2030	300,000	85,212	385,212
2031	550,000	71,400	621,400
2032	570,000	52,843	622,843
2033	600,000	32,725	632,725
2034	635,000	11,113	646,113
Totals	\$ 3,555,000	\$ 1,184,706	\$ 4,739,706

Harris-Fort Bend Counties Municipal Utility District No. 5
Schedule of Long-term Debt Service Requirements by Years (Continued)
December 31, 2020

Due During Fiscal Years Ending December 31,	Series 2015		
	Principal Due April 1	Interest Due April 1, October 1,	Total
2021	\$ -	\$ 60,450	\$ 60,450
2022	100,000	58,950	158,950
2023	100,000	55,950	155,950
2024	100,000	52,950	152,950
2025	100,000	49,950	149,950
2026	100,000	46,950	146,950
2027	100,000	43,950	143,950
2028	100,000	40,950	140,950
2029	100,000	37,950	137,950
2030	150,000	34,200	184,200
2031	150,000	29,700	179,700
2032	225,000	24,075	249,075
2033	225,000	17,325	242,325
2034	225,000	10,575	235,575
2035	240,000	3,600	243,600
Totals	\$ 2,015,000	\$ 567,525	\$ 2,582,525

Harris-Fort Bend Counties Municipal Utility District No. 5
Schedule of Long-term Debt Service Requirements by Years (Continued)
December 31, 2020

Due During Fiscal Years Ending December 31,	Refunding Series 2019		
	Principal Due April 1	Interest Due April 1, October 1,	Total
2021	\$ 110,000	\$ 214,456	\$ 324,456
2022	585,000	200,557	785,557
2023	620,000	176,456	796,456
2024	655,000	150,956	805,956
2025	690,000	124,056	814,056
2026	720,000	102,156	822,156
2027	750,000	79,056	829,056
2028	785,000	53,753	838,753
2029	820,000	27,050	847,050
2030	355,000	5,325	360,325
Totals	\$ 6,090,000	\$ 1,133,821	\$ 7,223,821

Harris-Fort Bend Counties Municipal Utility District No. 5
Schedule of Long-term Debt Service Requirements by Years (Continued)
December 31, 2020

Due During Fiscal Years Ending December 31,	<u>Annual Requirements For All Series</u>		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 1,080,000	\$ 531,231	\$ 1,611,231
2022	1,130,000	491,564	1,621,564
2023	1,170,000	452,531	1,622,531
2024	1,215,000	411,519	1,626,519
2025	1,265,000	368,512	1,633,512
2026	1,295,000	330,300	1,625,300
2027	1,325,000	290,887	1,615,887
2028	1,370,000	249,072	1,619,072
2029	1,420,000	204,950	1,624,950
2030	1,405,000	158,037	1,563,037
2031	1,510,000	113,250	1,623,250
2032	795,000	76,918	871,918
2033	825,000	50,050	875,050
2034	860,000	21,688	881,688
2035	240,000	3,600	243,600
Totals	<u>\$ 16,905,000</u>	<u>\$ 3,754,109</u>	<u>\$ 20,659,109</u>

Harris-Fort Bend Counties Municipal Utility District No. 5
Changes in Long-term Bonded Debt
Year Ended December 31, 2020

	Bond	
	Refunding Series 2011A	Series 2013
Interest rates	4.00%	2.75% to 3.00%
Dates interest payable	April 1/October 1	April 1/October 1
Maturity dates	April 1, 2021	April 1, 2022/2031
Bonds outstanding, beginning of current year	\$ 1,710,000	\$ 4,375,000
Retirements, principal	840,000	-
Bonds outstanding, end of current year	\$ 870,000	\$ 4,375,000
Interest paid during current year	\$ 45,300	\$ 124,837

Paying agent's name and address:

Series 2011A	-	U.S. Bank, National Association, Houston, Texas
Series 2013	-	Regions Bank, Houston, Texas
Series 2014	-	Regions Bank, Houston, Texas
Series 2015	-	Regions Bank, Houston, Texas
Series 2019	-	Regions Bank, Houston, Texas

Bond authority:

	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	\$ 39,600,000	0	\$ 27,000,000
Amount of authorization issued	\$ 29,615,000	0	\$ 536,653
Remaining to be issued	\$ 9,985,000	0	\$ 26,463,347
Debt service fund cash and temporary investment balances as of December 31, 2020:			\$ 2,913,626
Average annual debt service payment (principal and interest) for remaining term of all debt:			\$ 1,377,274

Issues

Series 2014	Series 2015	Refunding Series 2019	Totals
2.00% to 3.50%	3.00%	2.25% to 4.00%	
April 1/October 1	April 1/October 1	April 1/October 1	
April 1, 2021/2034	April 1, 2022/2035	April 1, 2021/2030	
\$ 3,655,000	\$ 2,015,000	\$ 6,200,000	\$ 17,955,000
<u>100,000</u>	<u>-</u>	<u>110,000</u>	<u>1,050,000</u>
<u>\$ 3,555,000</u>	<u>\$ 2,015,000</u>	<u>\$ 6,090,000</u>	<u>\$ 16,905,000</u>
<u>\$ 116,587</u>	<u>\$ 60,450</u>	<u>\$ 218,857</u>	<u>\$ 566,031</u>

Harris-Fort Bend Counties Municipal Utility District No. 5
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended December 31,

	Amounts				
	2020	2019	2018	2017	2016
General Fund					
Revenues					
Property taxes	\$ 529,012	\$ 510,455	\$ 491,712	\$ 467,281	\$ 436,198
City of Houston tax rebates	154,064	152,082	154,702	161,011	163,385
Water service	570,197	552,017	508,102	526,072	532,792
Sewer service	568,723	553,761	521,640	519,636	513,272
Regional water fee	662,372	591,932	503,368	496,757	464,075
Penalty and interest	18,648	31,713	31,940	31,990	40,774
Tap connection and inspection fees	64,179	78,550	365,515	20,235	71,630
Investment income	72,631	122,910	73,503	35,341	22,640
Other income	23,747	29,180	34,599	43,851	23,318
Total revenues	<u>2,663,573</u>	<u>2,622,600</u>	<u>2,685,081</u>	<u>2,302,174</u>	<u>2,268,084</u>
Expenditures					
Service operations:					
Purchased services	408,385	61,320	638,993	508,545	392,945
Regional water fee	754,017	636,226	520,006	514,628	483,589
Professional fees	160,709	159,469	144,919	200,451	184,908
Contracted services	412,522	397,097	379,824	360,226	356,462
Utilities	3,383	3,937	4,026	4,107	3,076
Repairs and maintenance	289,007	272,858	205,131	253,639	171,425
Other expenditures	101,011	109,229	104,405	102,094	121,636
Tap connections	14,900	26,500	126,152	-	25,860
Capital outlay	37,563	7,916	85,524	859,822	27,746
Total expenditures	<u>2,181,497</u>	<u>1,674,552</u>	<u>2,208,980</u>	<u>2,803,512</u>	<u>1,767,647</u>
Excess (Deficiency) of Revenues Over Expenditures	482,076	948,048	476,101	(501,338)	500,437
Other Financing Sources					
Interfund transfers in	22,271	129,825	126,697	74,193	99,160
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	504,347	1,077,873	602,798	(427,145)	599,597
Fund Balance, Beginning of Year	<u>5,773,108</u>	<u>4,695,235</u>	<u>4,092,437</u>	<u>4,519,582</u>	<u>3,919,985</u>
Fund Balance, End of Year	<u>\$ 6,277,455</u>	<u>\$ 5,773,108</u>	<u>\$ 4,695,235</u>	<u>\$ 4,092,437</u>	<u>\$ 4,519,582</u>
Total Active Retail Water Connections	<u>1,435</u>	<u>1,407</u>	<u>1,397</u>	<u>1,390</u>	<u>1,386</u>
Total Active Retail Wastewater Connections	<u>1,387</u>	<u>1,360</u>	<u>1,353</u>	<u>1,348</u>	<u>1,346</u>

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
19.9 %	19.5 %	18.3 %	20.3 %	19.2 %
5.8	5.8	5.8	7.0	7.2
21.4	21.0	18.9	22.8	23.5
21.3	21.1	19.4	22.6	22.6
24.9	22.6	18.8	21.6	20.5
0.7	1.2	1.2	1.4	1.8
2.4	3.0	13.6	0.9	3.2
2.7	4.7	2.7	1.5	1.0
0.9	1.1	1.3	1.9	1.0
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
15.3	2.3	23.8	22.1	17.3
28.3	24.3	19.4	22.4	21.3
6.0	6.1	5.4	8.7	8.2
15.5	15.1	14.2	15.7	15.7
0.1	0.1	0.1	0.2	0.1
10.9	10.4	7.6	11.0	7.6
3.8	4.2	3.9	4.4	5.4
0.6	1.0	4.7	-	1.1
1.4	0.3	3.2	37.3	1.2
<u>81.9</u>	<u>63.8</u>	<u>82.3</u>	<u>121.8</u>	<u>77.9</u>
<u>18.1 %</u>	<u>36.2 %</u>	<u>17.7 %</u>	<u>(21.8) %</u>	<u>22.1 %</u>

Harris-Fort Bend Counties Municipal Utility District No. 5

Comparative Schedule of Revenues and Expenditures – Debt Service Fund

Five Years Ended December 31,

	Amounts				
	2020	2019	2018	2017	2016
Debt Service Fund					
Revenues					
Property taxes	\$ 1,587,227	\$ 1,637,718	\$ 1,618,933	\$ 1,635,320	\$ 1,708,127
Penalty and interest	27,163	19,036	19,999	17,392	13,015
Investment income	25,087	46,201	34,895	20,613	11,268
Other income	92	59	22	15	20
	<u>1,639,569</u>	<u>1,703,014</u>	<u>1,673,849</u>	<u>1,673,340</u>	<u>1,732,430</u>
Total revenues					
Expenditures					
Current:					
Professional fees	8,641	3,696	6,163	3,747	4,124
Contracted services	42,643	39,580	36,311	37,658	41,807
Other expenditures	5,735	6,698	8,778	6,985	5,238
Debt service:					
Principal retirement	1,050,000	1,000,000	970,000	940,000	915,000
Interest and fees	569,700	493,158	694,412	729,162	751,479
Debt issuance costs	-	215,906	-	-	-
Debt defeasance	-	116,000	-	-	-
	<u>1,676,719</u>	<u>1,875,038</u>	<u>1,715,664</u>	<u>1,717,552</u>	<u>1,717,648</u>
Total expenditures					
Excess (Deficiency) of Revenues					
Over Expenditures	<u>(37,150)</u>	<u>(172,024)</u>	<u>(41,815)</u>	<u>(44,212)</u>	<u>14,782</u>
Other Financing Sources (Uses)					
General obligation bonds issued	-	6,200,000	-	-	-
Premium on debt issued	-	324,730	-	-	-
Deposit with escrow agent	-	(6,305,325)	-	-	-
	<u>0</u>	<u>219,405</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources					
Excess (Deficiency) of Revenues and Other					
Financing Sources Over Expenditures					
and Other Financing Uses	(37,150)	47,381	(41,815)	(44,212)	14,782
Fund Balance, Beginning of Year					
	<u>1,722,991</u>	<u>1,675,610</u>	<u>1,717,425</u>	<u>1,761,637</u>	<u>1,746,855</u>
Fund Balance, End of Year					
	<u>\$ 1,685,841</u>	<u>\$ 1,722,991</u>	<u>\$ 1,675,610</u>	<u>\$ 1,717,425</u>	<u>\$ 1,761,637</u>

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
96.8 %	96.2 %	96.7 %	97.7 %	98.6 %
1.7	1.1	1.2	1.1	0.8
1.5	2.7	2.1	1.2	0.6
<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.5	0.2	0.4	0.2	0.2
2.6	2.3	2.2	2.2	2.4
0.4	0.4	0.5	0.4	0.3
64.0	58.7	57.9	56.2	52.8
34.8	29.0	41.5	43.6	43.4
-	12.7	-	-	-
<u>-</u>	<u>6.8</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>102.3</u>	<u>110.1</u>	<u>102.5</u>	<u>102.6</u>	<u>99.1</u>
<u>(2.3) %</u>	<u>(10.1) %</u>	<u>(2.5) %</u>	<u>(2.6) %</u>	<u>0.9 %</u>

Harris-Fort Bend Counties Municipal Utility District No. 5
Board Members, Key Personnel and Consultants
Year Ended December 31, 2020

Complete District mailing address:	Harris-Fort Bend Counties Municipal Utility District No. 5 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056
District business telephone number:	713.623.4531
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	<u>May 20, 2020</u>
Limit on fees of office that a director may receive during a fiscal year:	<u>\$ 7,200</u>

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Jack R. Wells, Jr.	Elected 05/20- 05/24	\$ 3,150	\$ 1,004	President
Elizabeth Caballero	Elected 05/18- 05/22	2,700	28	Vice President
Patrice Castillo	Elected 05/18- 05/22	1,950	28	Secretary
Ronald Boatman, Jr.	Elected 05/18- 05/22	3,300	0	Assistant Secretary
David R. Glunt	Elected 05/20- 05/24	4,200	14	Director

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

Harris-Fort Bend Counties Municipal Utility District No. 5
Board Members, Key Personnel and Consultants (Continued)
Year Ended December 31, 2020

Consultants	Date Hired	Fees and Expense Reimbursements	Title
B&A Municipal Tax Service, LLC	10/12/11	\$ 36,806	Tax Assessor/ Collector
BKD, LLP	06/18/97	23,500	Auditor
Fort Bend Central Appraisal District	Legislative Action	16,318	Appraiser
Masterson Advisors LLC	05/16/18	0	Financial Advisor
Municipal Accounts & Consulting, L.P.	03/06/95	49,628	Bookkeeper
Municipal District Services, L.L.C.	04/18/12	770,237	Operator
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/21/99	8,641	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	03/07/95	92,163	General Counsel
Vogler & Spencer Engineering	03/07/95	88,787	Engineer
Investment Officers			
Mark M. Burton and Ghia Lewis	02/18/04	N/A	Bookkeepers

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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