HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 504
(Harris County, Texas)

PRELIMINARY OFFICIAL STATEMENT
DATED: July 1, 2021

$15,000,000
UNLIMITED TAX BONDS
SERIES 2021

BIDS DUE: 10:00 A.M., HOUSTON TIME
BONDS AWARDED: 11:30 A.M., HOUSTON TIME
THURSDAY, AUGUST 5, 2021
HOUSTON, TEXAS

RATHMANN & ASSOCIATES

Financial Advisor to the District

PRELIMINARY OFFICIAL STATEMENT DATED JULY 1, 2021

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

*The Bonds are **not** "qualified tax-exempt obligations" for financial institutions.*

NEW ISSUE - Book-Entry Only

Moody's Investors Service (Underlying)…. "Baa2" (stable outlook)
See "SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Insurance and Ratings" herein

$15,000,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 504
(A Political Subdivision of the State of Texas, located within Harris County, Texas)
UNLIMITED TAX BONDS, SERIES 2021

Dated: September 1, 2021

Due: September 1, as shown on the inside cover

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from September 1, 2021, and is payable on March 1, 2022, and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of $5,000 or any integral multiple thereof in fully registered form only.

The Bonds maturing on and after September 1, 2027, are subject to redemption prior to maturity at the option of Harris County Municipal Utility District No. 504 (the "District"), as a whole or from time to time in part, on September 1, 2026, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of $5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

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

See Maturity Schedule on the inside cover

The Bonds constitute the sixth series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the "System") to serve the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE "INVESTMENT CONSIDERATIONS." Voters in the District authorized a total of $247,320,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the System and refunding purposes, $131,380,000 principal amount of unlimited tax bonds for road facilities and refunding purposes, and $40,700,000 principal amount of unlimited tax bonds for recreational facilities and refunding purposes. Following the issuance of the Bonds, $188,380,000 principal amount of unlimited tax bonds for the acquisition or construction of the System and refunding purposes, $131,380,000 principal amount of unlimited tax bonds for road facilities and refunding purposes, and $40,700,000 principal amount of unlimited tax bonds for recreational facilities and refunding purposes authorized by the District's voters will remain authorized but unissued. See "THE BONDS - Issuance of Additional Debt."

The Bonds, when issued, will constitute valid and legally binding obligations of the District, and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District. Investment in the Bonds is subject to special investment considerations as 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 Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about September 2, 2021.

MATURITY SCHEDULE

CUSIP Prefix(a): 41423R

Principal Amount	Maturity (Due September 1)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Suffix (a)
$355,000	2023	%	%	
370,000	2024			
390,000	2025			
405,000	2026			
420,000	2027(c)			
425,000	2028(c)			
440,000	2029(c)			
445,000	2030(c)			
460,000	2031(c)			
470,000	2032(c)			
485,000	2033(c)			
490,000	2034(c)			
500,000	2035(c)			
515,000	2036(c)			
535,000	2037(c)			
540,000	2038(c)			
560,000	2039(c)			
570,000	2040(c)			
590,000	2041(c)			
605,000	2042(c)			
620,000	2043(c)			
635,000	2044(c)			
650,000	2045(c)			
665,000	2046(c)			
685,000	2047(c)			
705,000	2048(c)			
720,000	2049(c)			
750,000	2050(c)			

(a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor (as defined herein), nor the Underwriter (as defined herein) take any responsibility for the accuracy of CUSIP numbers.

(b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed. Accrued interest from September 1, 2021, is to be added to the price.

(c) Subject to optional redemption as described on the front cover.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any 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, resolutions, contracts, audited financial statements, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor.

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

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, their 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.

Neither the District nor the Underwriter makes any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "INVESTMENT CONSIDERATIONS" in this Official Statement, as well as additional factors beyond the District's control. The important investment considerations and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost to the District, which was tendered by ________________________________ (referred to herein as the "Underwriter" or the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITY SCHEDULE" at a price of ______% of the principal amount thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of ______%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

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

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, 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 PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

Municipal Bond Insurance and Ratings

Applications have been made to Assured Guaranty Municipal Corp ("AGM") and Build America Mutual Assurance Company ("BAM") to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than Moody's Investors Service, Inc. ("Moody's"), will be at the option and expense of the Underwriter. The Underwriter understands, by submission of its bid, that the Underwriter is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond insurance policy, and the payment of fees in connection with such ratings except the Moody's rating fees as described below. Moody's has assigned an underlying rating of

"Baa2" (stable outlook) to the Bonds. If the Underwriter chooses to purchase municipal bond insurance on the Bonds, separate rating(s), including a rating by Moody's, may at the election of the Underwriter be assigned the Bonds based upon the understanding that upon delivery of the Bonds an insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. The District will pay the cost of both the underlying rating of Moody's and the Moody's rating associated with the insurance policy issued relating to the Bonds, if the latter is elected to be used by the Underwriter. As is stated in this Preliminary Official Statement under the caption "LEGAL MATTERS - No Material Adverse Change," if the Underwriter elects to purchase municipal bond guaranty insurance on the Bonds, the rating of the insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

BOND INSURANCE RISK FACTORS

As is stated above under the caption "Municipal Bond Insurance and Ratings," applications have been made to insurers to issue a commitment for municipal bond guaranty insurance on the Bonds. If the Underwriter purchases such municipal bond guaranty insurance on the Bonds as set forth under such caption, in the event of default of the payment of principal of or interest on the Bonds when all or some become due, any owner of the Bonds shall have a claim under the municipal bond guaranty insurance policy (the "Policy") for such payments.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of any such insurer and its claims paying ability. An 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 an insurer and the ratings on bonds insured by any such insurer, including the Bonds, would not be subject to downgrade. Such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

Neither the District, nor to the knowledge of the District the Underwriter, has made independent investigation into the claims paying ability of any potential insurer of the Bonds and no assurance or representation regarding the financial strength or projected financial strength of any potential insurer is made by either the District or the Underwriter. Therefore, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Bonds and the claims paying ability of any potential insurer, particularly over the life of the investment. See "SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Insurance and Ratings" above for further information regarding the District's application for municipal bond guaranty insurance on the Bonds.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer	Harris County Municipal Utility District No. 504 (the "District") is a political subdivision of the State of Texas located within Harris County, Texas. See "THE DISTRICT - General."
Description..	$15,000,000 Unlimited Tax Bonds, Series 2021, are dated September 1, 2021, and mature on September 1 in the years and principal amounts shown on the inside cover page of this Official Statement. Interest on the Bonds accrues from September 1, 2021, at the rates shown on the inside cover hereof, and is payable on March 1, 2022, and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds are issued in fully registered form and will be issued in denominations of $5,000 of principal amount or integral multiples thereof. The Bonds scheduled to mature on and after September 1, 2027, are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2026, or on any date thereafter at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. See "THE BONDS."
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "THE BONDS - Source of Payment," "TAX DATA - Tax Rate Calculations," and "INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates."
Use of Proceeds	Proceeds of the sale of the Bonds will be used by the District to finance the District's cost of acquisition or construction of (i) the culvert crossing at Union Pacific Railroad and Harris County Flood Control District Unit No. G103-55-99 to serve the District; (ii) water supply and distribution, wastewater collection and treatment and storm drainage/detention facilities (the "System"), that serve The Groves, Sections 13, 17, 24 and 27; (iii) Phase 1 construction for The Groves Drainage Reserves

Nos. 6, 7 and 8; clearing and grubbing for The Groves Drainage Reserves Nos. 6, 7 and 8, and The Groves, Sections 17, 25 and 26; Madera Run Parkway Street Dedication, Section 6; Timber Forest Drive Street Dedication, Section 4; construction and land costs for Lift Station No. 2; Harris County Municipal Utility District No. 412 ("HCMUD No. 412") water treatment plant expansion; remaining expenses for the surface water transmission line along West Lake Houston Parkway; and lease payments for the future wastewater treatment plant expansion; (iv) engineering and materials testing fees associated with the foregoing projects, and Storm Water Pollution Prevention; (v) operational advances; (vi) interest on advances made on behalf of the District; and (vii) administrative and issuance costs, legal fees, fiscal agent's fees, a fee to the TCEQ, engineering fees, costs associated with the operation of the District, and certain financing costs related to the issuance of the BAN (defined below) and Bonds. The District will also retire its $8,650,000 Bond Anticipation Note, Series 2020 (the "BAN"), including the payment of principal of and interest thereon, with a portion of the proceeds of the sale of the Bonds. The District utilized the proceeds of the BAN to interim finance certain of the aforementioned facilities that it is financing with the proceeds of the sale of the Bonds. See "THE BONDS - Use and Distribution of Bond Proceeds."

Payment Record... The Bonds are the sixth series of unlimited tax bonds issued by the District. The District has previously issued Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds), Unlimited Tax Bonds, Series 2017 (the "Series 2017 Bonds), Unlimited Tax Bonds, Series 2018 (the "Series 2018 Bonds), Unlimited Tax Bonds, Series 2019 (the "Series 2019 Bonds), and Unlimited Tax Bonds, Series 2020 (the "Series 2020 Bonds") (collectively, the "Prior Bonds"). After the issuance of the Bonds, the aggregate principal amount of the Prior Bonds that have not been previously retired by the District will be $43,440,000 (collectively, the "Outstanding Bonds"), and the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be $58,440,000. The District has timely made all payments on the Prior Bonds when due.

Authorized But Unissued Bonds...................... $188,380,000 for waterworks, wastewater, and drainage facilities and refunding purposes (after issuance of the Bonds), $131,380,000 for road facilities and refunding purposes, and $40,700,000 for parks and recreational facilities and refunding purposes. See "THE BONDS - Issuance of Additional Debt." In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds, and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. See "THE BONDS - Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM."

Municipal Bond Insurance and Rating	Applications have been made to Assured Guaranty Municipal Corp ("AGM") and Build America Mutual Assurance Company ("BAM") to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than Moody's Investors Service, Inc. ("Moody's), will be at the option and expense of the Underwriter. The Underwriter understands, by submission of its bid, that the Underwriter is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond insurance policy, and the payment of fees in connection with such ratings except the Moody's rating fees as described below. Moody's has assigned an underlying rating of "Baa2" (stable outlook) to the Bonds. If the Underwriter chooses to purchase municipal bond insurance on the Bonds, separate rating(s), including a rating by Moody's, may at the election of the Underwriter be assigned the Bonds based upon the understanding that upon delivery of the Bonds an insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. The District will pay the cost of both the underlying rating of Moody's and the Moody's rating associated with the insurance policy issued relating to the Bonds, if the latter is elected to be used by the Underwriter. As is stated in this Official Statement under the caption "LEGAL MATTERS - No Material Adverse Change," if the Underwriter elects to purchase municipal guaranty insurance on the Bonds, the rating of the insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.
Bond Counsel..	Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See "LEGAL MATTERS" and "TAX MATTERS."
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Not Qualified Tax-Exempt Obligations	The Bonds are **not** "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

THE DISTRICT

Description..	The District is a political subdivision of the State of Texas, created by Order of the TCEQ on March 3, 2009. The District contains approximately 981.67 acres of land. The District is located entirely within Harris County, Texas, within the extraterritorial jurisdiction of the City of Houston, Texas (the "City"), and within the Humble Independent School District. The District is located in northeast Harris County, approximately 20 miles northeast of downtown Houston, approximately 5 miles north of the intersection of Beltway 8

and West Lake Houston Parkway and is bordered by the Balmoral development to the south, undeveloped acreage to the west, Union Pacific Railroad and Harris County Municipal Utility District No. 412 to the east and Harris County Municipal Utility District No. 290 to the north. See "THE DISTRICT - General" and - "Description," and "APPENDIX A - LOCATION MAP."

Authority.. The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT - General."

Development and Home Construction............. Land within the District is being developed as The Groves, a master-planned single-family residential community that as of June 1, 2021, contained a total of 1,461 single-family residences, including 164 residences under construction. See "Builders" below.

The development of 1,767 single-family residential lots (approximately 554.81 total acres) is complete within the District. Such property has been subdivided as The Groves, Sections 1 through 30 and 32 through 38. All of such lots have been provided water supply and distribution, wastewater collection and treatment and storm drainage/detention facilities and street paving. In addition, the Developer (defined below under the caption "Developer") has initiated the development of 238 lots, on approximately 86.76 acres, as The Groves, Sections 31 (31 lots, approximately 29.97 acres), 39 (58 lots, approximately 10.47 acres) and 40 (149 lots, approximately 46.32 acres). The Developer anticipates the completion of the development of such sections, including street paving, by approximately July 2021, December 2021 and July 2022, respectively. The Developer has also initiated the development of approximately 20 acres which are currently being developed as multi-family residential (approximately 318 units), with an anticipated completion date by approximately fall 2021.

Approximately 2.335 acres of land located within the District has been constructed as Kiddie Academy Educational Child Care, an early childhood learning center.

Toll Brothers, Chesmar Homes, Lennar Homes, Highland Homes, Perry Homes, Trendmaker Homes, Village Builders, Beazer Homes, Shea Homes, Weekley Homes, and Westin Homes (collectively, the "Builders") have been and are expected to be principal builders of homes on lots developed by the Developer in the District. The Developer has contracted to sell developed lots in the District to the Builders, as is discussed under the caption "Builders."

The Developer owns approximately 113.83 acres of currently undeveloped land located within the District which are available for future development, approximately 43.83 acres of which are expected to be developed as future sections of The Groves (approximately 264 single-family residential lots). Although the Developer has informed the District that it plans to complete the development of the remainder of its currently undeveloped land located in the District in the future, it is under no obligation to the District to develop any of such land. Therefore, the District cannot predict whether or when any of such property owned by the Developer will be developed. The Humble Independent School District ("HISD") owns approximately 45.1 acres of land located within the District which are not subject to taxation by the District on which HISD has constructed an elementary school and a middle school. The YMCA has leased approximately 5.0 acres of the land owned by HISD on which baseball fields, playgrounds and pavilions with restrooms have been constructed. The balance of the land located within the District is contained within various street and/or drainage easements, rights-of-way, lakes and stormwater detention ponds, District plant sites, or is otherwise not available for future development. See "FUTURE DEVELOPMENT."

The District financed the culvert crossing at Union Pacific Railroad and Harris County Flood Control District Unit No. G103-55-99 to serve the District, Lift Station No. 1, Phase 1; wastewater treatment plant expansion; lease payments for future wastewater treatment plant expansion; The Groves Drainage Channel, Phase 1; The Groves offsite utilities, a surface water transmission line along West Lake Houston Parkway; a surface water transmission line within City of Houston water plant site; components of the System to serve The Groves, Sections 1 through 12, 14 through 16, 18 through 21 and 23, the West Lake Houston Parkway Intersection, Madera Run Parkway Street Dedication, Sections 1 through 5, Greenbeck Boulevard Street Dedication, Section 1 and The Groves storm water quality trash rack; land costs for drainage channel reserves; the cost of The Groves, Section 7 Fernbank Forest Culvert crossing; lease payments for the future wastewater treatment plant; clearing and grubbing to serve The Groves drainage channel, Phase 1, The Groves off-site utilities, The Groves, Sections 1 through 13, 15, 16, and 18 through 24, The Groves Drainage Reserves Nos. 3, 4, and 5, Phases 1 and 2, offsite utilities and drainage ditch along Union Pacific Railroad, Kings Parkway, Madera Run Parkway Street Dedication, Sections 1 and 4 through 6, Madera Run Parkway to the 15-acre school site, and Timber Forest Drive Street Dedication, Sections 3 and 4; The Groves Drainage Reserves Nos. 3, 4, and 5, Phases 1 and 2, off-site 18-inch sanitary trunk and 16-inch water transmission line; ditch along Union Pacific Railroad, Timber Forest Drive Street dedication, Section 3 and Madera Run Parkway Street dedication, Section 2; and water, wastewater and drainage capital cost payments to Harris County Municipal Utility District No. 412 ("HCMUD No. 412") for participation in existing water, sewer and drainage facilities, among other items, with the proceeds of the sale of the Prior Bonds. The District will finance acquisition or construction of the culvert crossing at Union Pacific Railroad and Harris County Flood Control District Unit No. G103-55-99 to serve the District; water supply and distribution, wastewater collection and treatment and storm drainage/detention facilities (the "System"), that serve The Groves, Sections 13, 17, 24 and 27; Phase 1 construction for The Groves Drainage Reserves Nos. 6, 7 and 8; clearing and grubbing for The Groves Drainage

Reserves Nos. 6, 7 and 8, and The Groves, Sections 17, 25 and 26; Madera Run Parkway Street Dedication, Section 6; Timber Forest Drive Street Dedication, Section 4; Storm Water Pollution Prevention; construction and land costs for Lift Station No. 2; HCMUD No. 412 water treatment plant expansion; remaining expenses for the surface water transmission line along West Lake Houston Parkway; and lease payments for the future wastewater treatment plant expansion, among other items, with the proceeds of the sale of the Bonds. The District will finance its cost of acquiring or constructing additional components of the System with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM."

Developer.. The developer of The Groves is Ashlar Development LLC, a privately held real estate development company founded in 2017 and based in Dallas, Texas ("Developer" or "Ashlar"). Ashlar is developing The Groves on behalf of the owner of such property, LH Groves LLC. Ashlar, a Delaware limited liability company, was established by a private investment firm with experience in the acquisition, development and construction of residential communities across the U.S. and Europe, including several in Texas. Funds managed by such private investment firm acquired The Groves, through the entity LH Groves LLC, in February 2017 from the previous developer, Crescent Communities, LLC, which had owned the property since 2012.

The Developer is financing its acquisition and development activities within the District with the proceeds of a development loan from IBC Bank ("IBC"). The IBC Loan, which is dated February 2017, is a revolving line of credit secured by a first lien deed of trust against the property owned by LH Groves LLC in the District and an assignment of contract rights of LH Groves LLC to receivables to be received from the District. The IBC Loan provides that, in the event LH Groves LLC receives reimbursement of any such receivables assigned to it, 90% of such amount shall be applied to reduce the then outstanding balance of the loan and that the principal amount of the revolving credit represented by the note will be correspondingly reduced.

The Developer has made no commitment for the payment of debt service on the Bonds. Only the owners of taxable property located in the District are legally responsible for the payment of ad valorem taxes to the District and other taxing authorities.

Builders.. As is described in this Official Statement under the caption "DEVELOPMENT AND HOME CONSTRUCTION," as of June 1, 2021, the District contained 1,461 single-family residences, including 164 residences under construction. Current builders of homes located within the District are: Toll Brothers, Chesmar Homes, Lennar Homes, Highland Homes, Perry Homes, Trendmaker Homes, Village Builders, Beazer Homes, Weekley Homes, and Westin Homes. Such homebuilding companies are collectively referred to herein as the "Builders." See "DEVELOPMENT AND HOME CONSTRUCTION" for descriptions of the subdivisions located within the District in which the Builders are currently constructing homes. Lot sales contracts between the Developer and the Builders are option contracts with the sole remedy of the Developer upon an event of default by the Builder being retention of nominal option consideration. According to the Developer, homes currently being constructed by Toll Brothers in the District range in size from approximately 2,700 square feet to 4,100 square feet of living area and in sales price from approximately $423,730 to $578,220; homes currently being constructed by Chesmar Homes in the District range in size from approximately 1,750 square feet to 2,750 square feet of living area and in sales price from approximately $220,340 to $361,340; homes currently being constructed by Lennar Homes in the District range in size from approximately 1,750 square feet to 2,750 square feet of living area and in sales price from approximately $157,000 to $395,500; homes currently being constructed by Highland Homes in the District range in size from approximately 2,000 square feet to 3,050 square feet of living area and in sales price from approximately $223,100 to $530,540; homes currently being constructed by Perry Homes in the District range in size from approximately 2,400 square feet to 3,800 square feet of living area and in sales price from approximately $238,190 to $706,890; homes currently being constructed by Trendmaker Homes in the District range in size from approximately 1,750 square feet to 2,900 square feet of living area and in sales price from approximately $257,900 to $707,490; homes currently being constructed by Village Builders in the District range in size from approximately 2,000 square feet to 3,300 square feet of living area and in sales price from approximately $223,000 to $459,950; homes currently being constructed by Beazer Homes in the District range in size from approximately 1,500 square feet to 2,100 square feet of living area and in sales price from approximately $303,340 to $352,000; homes currently being constructed by Weekley Homes in the District range in size from approximately 1,400 square feet to 2,750 square feet of living area and in sales price from approximately $216,500 to $390,140; and homes currently being constructed by Westin Homes in the District range in size from approximately 2,400 square feet to 3,800 square feet of living area and in sales price from approximately $322,600 to $503,000.

Infectious Disease Outbreak (COVID-19) ....

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

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 except in counties with an "area with high hospitalizations" where a county judge may impose COVID-19 related mitigation strategies. Harris County is not currently an "area with high hospitalizations." The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the decrease in the number of active COVID-19 cases and the easing or removal of 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 service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2020 Assessed Valuation (As of January 1, 2020) See "TAX DATA" and "TAXING PROCEDURES"	$	364,018,968	(a)
2021 Preliminary Valuation (As of January 1, 2021) See "TAX DATA" and "TAXING PROCEDURES"	$	514,673,160	(b)
Estimated Valuation at June 1, 2021 (As of June 1, 2021) See "TAX DATA" and "TAXING PROCEDURES"	$	552,155,475	(c)
Direct Debt			
Outstanding Bonds	$	43,440,000	
The Bonds		15,000,000	
Total	$	58,440,000	(d)
Estimated Overlapping Debt	$	20,063,734	
Total Direct and Estimated Overlapping Debt	$	78,503,734	(d)
Direct Debt Ratios			
: as a percentage of 2020 Assessed Valuation		16.05	%
: as a percentage of 2021 Preliminary Valuation		11.35	%
: as a percentage of Estimated Valuation at June 1, 2021		10.58	%
Direct and Estimated Overlapping Debt Ratios			
: as a percentage of 2020 Assessed Valuation		21.57	%
: as a percentage of 2021 Preliminary Valuation		15.25	%
: as a percentage of Estimated Valuation at June 1, 2021		14.22	%
Debt Service Fund Balance as of July 1, 2021	$	3,727,699	(e)
General Fund Balance as of July 1, 2021	$	4,050,240	
2020 Tax Rate per $100 of Assessed Valuation			
Debt Service Tax $0.85			
Maintenance Tax 0.54			
Total	$	1.39	(f)
Average Percentage of Total Tax Collections (2014-2019) (As of June 30, 2021)		99.47	%
Percentage of Total Tax Collections of 2020 Levy as of June 30, 2021 (In process of collection)		97.39	%
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2022-2050)	$	3,182,193	
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2050)	$	3,201,950	

Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2022-2050) at 95% Tax Collections		
Based Upon 2020 Assessed Valuation	$	0.93
Based Upon 2021 Preliminary Valuation	$	0.66
Based Upon Estimated Valuation at June 1, 2021	$	0.61
Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2050) at 95% Tax Collections		
Based Upon 2020 Assessed Valuation	$	0.93
Based Upon 2021 Preliminary Valuation	$	0.66
Based Upon Estimated Valuation at June 1, 2021	$	0.62
Number of Single Family Residences as of June 1, 2021 (including 164 residences under construction)		1,461

(a) As of January 1, 2020. All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

(b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2021, as reflected on the District's preliminary 2021 tax roll supplied to the District by the Appraisal District, and includes the preliminary 2021 values resulting from the construction of taxable improvements from January 1, 2020, through December 31, 2020. When the Appraisal District supplies a taxing entity with a preliminary tax roll, such preliminary tax roll does not include personal property values. Therefore, this amount includes the 2020 taxable value of personal property located within the District. The taxable value of personal property on the District's 2020 tax roll was $2,278,230. The District's ultimate 2021 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2021. See "TAXING PROCEDURES."

(c) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of June 1, 2021, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2020, through May 31, 2021. The ultimate assessed valuation of such additions to the District's tax roll resulting from development and construction activity from January 1, 2020, through December 31, 2020, may vary significantly from this estimate when the Appraisal Review Board certifies the valuation of District property for the purpose of determining the District's 2021 tax roll, which will be based on the valuation of District property as of January 1, 2021. Moreover, the ultimate assessed valuation of such additions to the District's tax roll resulting from development and construction activity from January 1, 2021, through May 31, 2021, may vary significantly from this estimate when the Appraisal Review Board certifies the valuation of District property for the purpose of determining the District's 2022 tax roll, which will be based on the valuation of District property as of January 1, 2022.

(d) See "DISTRICT DEBT." In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds, and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. See "THE BONDS - Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt," and "THE SYSTEM."

(e) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. Such sum gives effect to the payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2021. The District's remaining debt service payments for 2021, consisting of principal of and interest on the Outstanding Bonds, are due on September 1, 2021, and total

$1,309,459. The District’s initial debt service payment on the Bonds, consisting of a six-month interest payment due thereon, is due on March 1, 2022.

(f) The District levied a debt service tax rate of $0.85 per $100 of Assessed Valuation and a maintenance tax of $0.54 per $100 of Assessed Valuation for 2020. Therefore, the District's combined total tax for 2020 is $1.39 per $100 of Assessed Valuation. As is enumerated in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the 2020 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2020 rate, is $3.683253. Such aggregate levies are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 504
UNLIMITED TAX BONDS
SERIES 2021

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 504 (the "District") of its $15,000,000 Unlimited Tax Bonds, Series 2021 (the "Bonds").

There follow in this Official Statement descriptions of the Bonds, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request and payment of the costs of duplication thereof.

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 resolution (the "Bond Resolution") of the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds. A copy of the Bond Resolution may be obtained from the District upon written request made to the District's Financial Advisor, Rathmann & Associates, L.P., 8584 Katy Freeway, Suite 250, Houston, Texas 77024.

The Bonds are dated September 1, 2021. Interest accrues from September 1, 2021, at the rates shown on the inside cover page hereof, and is payable on March 1, 2022, and on each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. The Bonds are fully registered bonds maturing on September 1 in each of the years and in the amounts shown under "MATURITY SCHEDULE" on the inside cover page of this Official Statement. Principal of the Bonds will be payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar").

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

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global 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 effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Assignments, Transfers and Exchanges

In the event DTC's book-entry-only system is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of delivery of the Bonds to the Initial Purchaser, any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three business days after the receipt of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of $5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Redemption Provisions

Bonds maturing on September 1, 2027, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2026, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If fewer than all of the Bonds are redeemed at any time, the particular maturity or maturities and amounts to be redeemed shall be selected by the District. If fewer than all of the Bonds within a maturity are to be redeemed, the Registrar shall designate by method of random selection the Bonds within such maturity to be redeemed (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Replacement of Registrar

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

Authority for Issuance

At an election held within the District on November 5, 2013, voters of the District authorized a total of $247,320,000 in bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and refunding such bonds, $131,380,000 for road facilities and refunding such bonds, and $40,700,000 for parks and recreational facilities and refunding such bonds. The Bonds constitute the sixth issuance of bonds from such authorization. The District has previously issued Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds"), Unlimited Tax Bonds, Series 2017 (the "Series 2017 Bonds"), Unlimited Tax Bonds, Series 2018 (the "Series 2018 Bonds"), Unlimited Tax Bonds, Series 2019 (the "Series 2019 Bonds"), and Unlimited Tax Bonds, Series 2020 (the "Series 2020 Bonds") (collectively, the "Prior Bonds"). After the issuance of the Bonds, the aggregate principal amount of the Prior Bonds that have not been previously retired by the District will be $43,440,000 (collectively, the "Outstanding Bonds"), and the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be $58,440,000. After sale of the Bonds, a total of $188,380,000 in principal amount of unlimited tax bonds for water, sewer and drainage facilities and refunding such bonds, $131,380,000 for road facilities and refunding such bonds, and $40,700,000 for parks and recreational facilities and refunding such bonds will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission").

Source of Payment

The Bonds, the Outstanding Bonds and any additional bonds payable in whole or in part from taxes, are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collection, and Paying Agent/Registrar fees. Such proceeds, after deduction for collection costs, will be placed in the Debt Service Fund and used solely to pay principal of and interest on the Bonds, and on additional bonds payable from taxes which may hereafter be issued, and Paying Agent/Registrar fees.

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

Issuance of Additional Debt

The District may issue additional bonds with the approval of the TCEQ, necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of $247,320,000 unlimited tax bonds for construction of water distribution, wastewater collection and storm drainage facilities and refunding purposes, and could authorize additional amounts. Following the issuance of the Bonds, $188,380,000 unlimited tax bonds for water, sewer and drainage facilities and refunding purposes will remain authorized but unissued. The District's voters also have authorized $131,380,000 for road facilities and refunding purposes and $40,700,000 in unlimited tax bonds for parks and recreational facilities and refunding purposes. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ). In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds, and is financing with portions of the proceeds of the sale of the Bonds (see "Use and Distribution of Bond Proceeds" below and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. See "INVESTMENT CONSIDERATIONS - Future Debt," and "THE SYSTEM."

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the District's consulting engineer, BGE, Inc. (the "Engineer"), the $188,380,000 authorized but unissued bonds will be adequate to finance the extension of water, wastewater and storm drainage/detention facilities and services to serve all of the remaining undeveloped portions of the District. See "DEVELOPMENT AND HOME CONSTRUCTION," "FUTURE DEVELOPMENT," and "THE SYSTEM."

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of park bonds by the Commission; and (b) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless, effective June 14, 2021, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not three percent of the value of the taxable property in the District. On November 5, 2013, voters in the District authorized $40,700,000 in bonds for parks and recreational facilities, none of which bonds have been issued to date.

No Arbitrage

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

Annexation and Consolidation

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

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

Strategic Partnership

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which the service would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District. Although the City has negotiated and entered into such an agreement with other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District. No representation can be made regarding the future likelihood of an agreement or the terms thereof.

Registered Owners' Remedies

Pursuant to Texas law, the Bond Resolution provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. In addition, any legal action taken to seek any such remedies may be limited by the doctrine of sovereign immunity. 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. Even if the Registered Owners could obtain a judgment against the District, such judgment cannot be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further 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. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See "Bankruptcy Limitation to Registered Owners' Rights" below and "INVESTMENT CONSIDERATIONS - Registered Owners' Remedies and Bankruptcy."

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

The District may not be placed into bankruptcy involuntarily.

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.

Defeasance

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

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the defeasance securities. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

Use and Distribution of Bond Proceeds

Proceeds of the sale of the Bonds will be used by the District to finance the District's cost of acquisition or construction of (i) the culvert crossing at Union Pacific Railroad ("UPRR") and Harris County Flood Control District ("HCFCD") Unit No. G103-55-99 to serve the District; (ii) water supply and distribution, wastewater collection and treatment and storm drainage/detention facilities (the "System"), that serve The Groves, Sections 13, 17, 24 and 27; (iii) Phase 1 construction for The Groves Drainage Reserves Nos. 6, 7 and 8; clearing and grubbing for The Groves Drainage Reserves Nos. 6, 7 and 8, and The Groves, Sections 17, 25 and 26; Madera Run Parkway Street Dedication, Section 6; Timber Forest Drive Street Dedication, Section 4; construction and land costs for Lift Station No. 2; Harris County Municipal Utility District No. 412 ("HCMUD No. 412") water treatment plant expansion; remaining expenses for the surface water transmission line along West Lake Houston Parkway; and lease payments for the future wastewater treatment plant expansion; (iv) engineering and materials testing fees associated with the foregoing projects, and Storm Water Pollution Prevention; (v) operational advances; (vi) interest on advances made on behalf of the District; and (vii) administrative and issuance costs, legal fees, fiscal agent's fees, a fee to the TCEQ, engineering fees, costs associated with the operation of the District, and certain financing costs related to the issuance of the BAN (defined below) and Bonds. The District will also retire its $8,650,000 Bond Anticipation Note, Series 2020 (the "BAN"), including the payment of principal of and interest thereon, with a portion of the proceeds of the sale of the Bonds. The District utilized the proceeds of the BAN to interim finance certain of the aforementioned facilities that it is financing with the proceeds of the sale of the Bonds.

I.	**Construction Costs**			**District's Share**
	A.	Developer Contribution Items (a)		
		1.	Culvert Crossing at UPRR & HCFCD unit G103-55-99	$822,104
		2.	Madera Run Parkway Street Dedication, Section 6	1,316,649
		3.	Timber Forest Drive Street Dedication, Section 4	657,502
		4.	Drainage Reserve Nos. 6, 7, & 8 Phase 1	2,192,152
		5.	The Groves, Section 13 - Water, Wastewater and Drainage	316,051
		6.	The Groves, Section 17 - Water, Wastewater and Drainage	514,138
		7.	The Groves, Section 24 – Water, Wastewater and Drainage	1,284,276
		8.	The Groves, Section 27 - Water, Wastewater and Drainage	728,831
		9.	Drainage Reserve Nos. 6, 7, & 8 Phase 1 - Clearing and Grubbing	70,060
		10.	The Groves, Section 17 - Clearing and Grubbing	9,110
		11.	The Groves, Section 25 – Clearing and Grubbing	29,425
		12.	The Groves, Section 26- Clearing and Grubbing	15,125
		13.	Engineering, Testing & Reporting	1,405,084
		14.	Storm Water Pollution Prevention	128,568
			TOTAL DEVELOPER CONTRIBUTION ITEMS	$9,489,075

B. District Items

1.	Lift Station No. 2	$540,548
2.	Harris County MUD No. 412 - Wastewater Treatment Plant Expansion	956,662
3.	Surface Water Transmission Line along West Lake Houston Parkway	355,028
4.	Engineering, Testing & Reporting	407,934
5.	Land Costs - Lift Station No. 2	7,669
6.	Future Wastewater Treatment Plant Lease Payments	315,600
	TOTAL DISTRICT ITEMS	$2,583,441
	TOTAL CONSTRUCTION COSTS	$12,072,516

II. Non-Construction Costs

1.	Legal Fees	$340,000
2.	Fiscal Agent Fees	300,000
3.	Interest	
	a. Developer Interest (b)	1,124,970
	b. Bond Anticipation Note Interest	302,750
4.	Bond Discount	450,000
5.	Operating Costs (Developer Advances)	100,000
6.	Bond Issuance Expenses	20,404
7.	Bond Anticipation Note Issuance Expenses	192,360
8.	Bond Application Report Costs	50,000
9.	Attorney General Fee	9,500
10.	TCEQ Bond Issuance Fee	37,500
11.	Contingency (c)	0
	TOTAL NON-CONSTRUCTION COSTS	$2,927,484
	TOTAL BOND ISSUE REQUIREMENT	**$15,000,000**

(a) The rules of the TCEQ require in certain instances that developers within a district subject to the jurisdiction of the TCEQ contribute to the construction program of such district an amount of money equal to thirty percent (30%) of the construction costs of certain water, sewer and drainage facilities in that district. The District requested an exemption from such developer participation requirement with respect to certain facilities being financed with portions of the proceeds of the sale of the Bonds on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its Order authorizing the District to issue the Bonds.

(b) Represents interest owed to the Developer on advances of construction costs and engineer fees and operating expenses made on the District's behalf by the Developer. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which the Developer has borrowed funds.

(c) The TCEQ directed that any surplus funds resulting from the sale of bonds at a lower interest rate than proposed shall be shown as a contingency line item. The use of these funds is subject to approval by the TCEQ.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to reimburse the Developer for the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE DISTRICT

General

The District is a municipal utility district created by an order of the TCEQ, dated March 3, 2009, 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 totally within the extraterritorial jurisdiction of the City of Houston, is subject to the continuing supervisory jurisdiction of the TCEQ.

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 is also authorized to develop roads and parks and recreational facilities, including the issuance of bonds payable from taxes for such purposes. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District.

The District is required to observe certain requirements of the City of Houston, which limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, and drainage 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. 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.”

Description

The District contains approximately 981.67 acres of land. The District is located entirely within Harris County, Texas, within the extraterritorial jurisdiction of the City of Houston, Texas (the “City”), and within the Humble Independent School District. The District is located in northeast Harris County, approximately 20 miles northeast of downtown Houston, approximately 5 miles north of the intersection of Beltway 8 and West Lake Houston Parkway and is bordered by the Balmoral development to the south, undeveloped acreage to the west, Union Pacific Railroad and Harris County Municipal Utility District No. 412 to the east and Harris County Municipal Utility District No. 290 to the north. See “APPENDIX A - LOCATION MAP.”

Management of the District

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

Name	Position	Term Expires in May
Clayton Weishuhn	President	2022
John Hernandez	Vice President	2024
Kimberly Badu	Assistant Vice President	2024
Kedrin Bell	Secretary	2024
Lisa Lindley	Assistant Secretary	2022

The District does not have a general manager or any other employee, but has contracted for services, as follows.

Tax Assessor/Collector - The District has engaged Assessments of the Southwest, Inc., Friendswood, Texas, as the District's Tax Assessor/Collector. According to Assessments of the Southwest, Inc., it currently serves approximately 204 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Harris County Appraisal District and bills and collects such levy.

Consulting Engineers - The District has employed the firm of BGE, Inc., Houston, Texas, as Consulting Engineer in connection with the design and construction of the System.

Bookkeeper - The District has engaged Myrtle Cruz, Inc. as the District's Bookkeeper. According to Myrtle Cruz, Inc., it currently serves approximately 359 districts as bookkeeper.

Auditor - As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which financial statements are filed with the TCEQ. The financial statements of the District as of June 30, 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 B.”

Operator - Inframark, LLC is employed by the District as the general operator of the District's System. According to Inframark, LLC, it serves as operator of the systems of approximately 125 districts.

Bond Counsel and General Counsel - Allen Boone Humphries Robinson LLP, Houston, Texas (“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, Allen Boone Humphries Robinson LLP serves as general counsel to the District on matters other than the issuance of bonds.

Disclosure Counsel - McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

Financial Advisor - The District has engaged Rathmann & Associates, L.P., as financial advisor (the “Financial Advisor”) to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. Rathmann & Associates, L.P. is an independent municipal advisor registered with the United States Securities and Exchange Commission (the “SEC”) and the Municipal Securities Rulemaking Board (the “MSRB”). Rathmann & Associates, L.P.’s SEC registration number is 867-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.’s SEC registration Forms MA and MA-1's, which constitute Rathmann & Associates, L.P.’s registration filings, may be accessed through http://www.sec.gov/edgar/searchedgar/company search.html.

DEVELOPMENT AND HOME CONSTRUCTION

Land within the District is being developed as The Groves, a master-planned single-family residential community that as of June 1, 2021, contained a total of 1,461 single-family residences, including 164 residences under construction. See “BUILDERS” below.

The development of 1,767 single-family residential lots (approximately 554.81 total acres) is complete within the District. Such property has been subdivided as The Groves, Sections 1 through 30 and 32 through 38. All of such lots have been provided water supply and distribution, wastewater collection and treatment and storm drainage/detention facilities and street paving. In addition, the Developer (defined below under the caption “DEVELOPER”) has initiated the development of 238 lots, on approximately 86.76 acres, as The Groves, Sections 31 (31 lots, approximately 29.97 acres), 39 (58 lots, approximately 10.47 acres) and 40 (149 lots, approximately 46.32 acres). The Developer anticipates the completion of the development of such sections, including street paving, by approximately July 2021, December 2021 and July 2022, respectively. The Developer has also initiated the development of approximately 20 acres which are currently being developed as multi-family residential (approximately 318 units), with an anticipated completion date by approximately fall 2021.

Approximately 2.335 acres of land located within the District has been constructed as Kiddie Academy Educational Child Care, an early childhood learning center.

Toll Brothers, Chesmar Homes, Lennar Homes, Highland Homes, Perry Homes, Trendmaker Homes, Village Builders, Beazer Homes, Shea Homes, Weekley Homes, and Westin Homes (collectively, the "Builders") have been and are expected to be principal builders of homes on lots developed by the Developer in the District. The Developer has contracted to sell developed lots in the District to the Builders, as is discussed under the caption "BUILDERS."

The Developer owns approximately 113.83 acres of currently undeveloped land located within the District which are available for future development, approximately 43.83 acres of which are expected to be developed as future sections of The Groves (approximately 264 single-family residential lots). Although the Developer has informed the District that it plans to complete the development of the remainder of its currently undeveloped land located in the District in the future, it is under no obligation to the District to develop any of such land. Therefore, the District cannot predict whether or when any of such property owned by the Developer will be developed. The Humble Independent School District ("HISD") owns approximately 45.1 acres of land located within the District which are not subject to taxation by the District on which HISD has constructed an elementary school and a middle school. The YMCA has leased approximately 5.0 acres of the land owned by HISD on which baseball fields, playgrounds and pavilions with restrooms have been constructed. The balance of the land located in the District consists of acreage located in street and drainage rights-of-way, District drainage areas or which are otherwise not available for future development. See "FUTURE DEVELOPMENT."

The District financed the culvert crossing at Union Pacific Railroad and Harris County Flood Control District ("HCFCD") Unit No. G103-55-99 to serve the District, Lift Station No. 1, Phase 1; wastewater treatment plant expansion; lease payments for future wastewater treatment plant expansion; The Groves Drainage Channel, Phase 1; The Groves offsite utilities, a surface water transmission line along West Lake Houston Parkway; a surface water transmission line within City of Houston water plant site; components of the System to serve The Groves, Sections 1 through 12, 14 through 16, 18 through 21 and 23, the West Lake Houston Parkway Intersection, Madera Run Parkway Street Dedication, Sections 1 through 5, Greenbeck Boulevard Street Dedication, Section 1 and The Groves storm water quality trash rack; land costs for drainage channel reserves; the cost of The Groves, Section 7 Fernbank Forest Culvert crossing; lease payments for the future wastewater treatment plant; clearing and grubbing to serve The Groves drainage channel, Phase 1, The Groves off-site utilities, The Groves, Sections 1 through 13, 15, 16, and 18 through 24, The Groves Drainage Reserves Nos. 3, 4, and 5, Phases 1 and 2, offsite utilities and drainage ditch along Union Pacific Railroad, Kings Parkway, Madera Run Parkway Street Dedication, Sections 1 and 4 through 6, Madera Run Parkway to the 15-acre school site, and Timber Forest Drive Street Dedication, Sections 3 and 4; The Groves Drainage Reserves Nos. 3, 4, and 5, Phases 1 and 2, off-site 18-inch sanitary trunk and 16-inch water transmission line; ditch along Union Pacific Railroad, Timber Forest Drive Street dedication, Section 3 and Madera Run Parkway Street dedication, Section 2; and water, wastewater and drainage capital cost payments to Harris County Municipal Utility District No. 412 ("HCMUD No. 412") for participation in existing water, sewer and drainage facilities, among other items, with the proceeds of the sale of the Prior Bonds. The District will finance acquisition or construction of the culvert crossing at Union Pacific Railroad and HCFCD Unit No. G103-55-99 to serve the District; water supply and distribution, wastewater collection and treatment and storm drainage/detention facilities (the "System"), that serve The Groves, Sections 13, 17, 24 and 27; Phase 1 construction for The Groves Drainage Reserves Nos. 6, 7 and 8; clearing and grubbing for The Groves Drainage Reserves Nos. 6, 7 and 8, and The Groves, Sections 17, 25 and 26; Madera Run Parkway Street Dedication, Section 6; Timber Forest Drive Street Dedication, Section 4; construction and land costs for Lift Station No. 2; HCMUD No. 412 water treatment plant expansion; remaining expenses for the surface water transmission line along West Lake Houston Parkway; and lease payments for the future wastewater treatment plant expansion, among other items, with the proceeds of the sale of the Bonds. The District will finance its cost of acquiring or constructing additional components of the System with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM."

The following table reflects the status of the residential development and home construction in the District as of June 1, 2021:

Residential Units

	LOTS				HOMES				
					Under Construction		Completed		
Subdivision	Fully Developed	Acres	Under Development	Acres	Sold*	Unsold	Sold*	Unsold	Totals
The Groves									
Section 1	41	24.10			0	0	41	0	41
Section 2	72	26.90			0	0	71	1	72
Section 3	41	15.60			0	0	41	0	41
Section 4	35	13.70			0	0	35	0	35
Section 5	58	15.20			0	0	58	0	58
Section 6	31	10.30			0	0	31	0	31
Section 7	47	15.40			0	0	47	0	47
Section 8	52	15.30			0	0	52	0	52
Section 9	54	23.90			0	0	54	0	54
Section 10	49	11.40			0	0	49	0	49
Section 11	36	10.00			8	0	25	1	34
Section 12	33	9.50			1	0	30	2	33
Section 13	43	13.10			3	0	17	0	20
Section 14	19	5.40			1	0	18	0	19
Section 15	30	7.60			0	0	30	0	30
Section 16	40	9.10			0	0	40	0	40
Section 17	44	14.50			4	0	35	0	39
Section 18	58	16.00			0	0	58	0	58
Section 19	20	5.30			0	0	18	0	18
Section 20	69	18.80			1	0	62	2	65
Section 21	54	13.30			3	0	50	0	53
Section 22	28	7.80			0	0	28	0	28
Section 23	41	11.70			0	0	41	0	41
Section 24	143	33.80			9	0	124	3	136
Section 25	33	15.50			2	0	28	1	31
Section 26	60	14.90			6	0	45	1	52
Section 27	52	14.40			1	0	50	1	52
Section 28	96	24.90			25	0	55	1	81
Section 29	43	16.02			6	0	15	1	22
Section 30	52	17.61			24	0	13	1	38
Section 31			31	29.97	0	0	0	0	0
Section 32	29	6.61			11	0	11	0	22
Section 33	87	20.85			26	0	2	0	28
Section 34	55	28.17			9	0	0	0	9
Section 35	38	9.75			0	0	0	0	0
Section 36	43	11.45			15	0	0	0	15
Section 37	15	20.74			2	0	8	0	10
Section 38	26	6.21			7	0	0	0	7
Section 39			58	10.47	0	0	0	0	0
Section 40			149	46.32	0	0	0	0	0
Totals	1,767	554.81	238	86.76	164	0	1,282	15	1,461

* Includes homes sold and contracted for sale. Homes under construction for sale are, in some instances, subject to conditions of appraisal, loan application, approval, and inspection.

THE DEVELOPER

General

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be emplaced in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In some instances, the developer will be required to pay up to thirty percent (30%) of the cost of emplacing certain of the water, wastewater and drainage facilities in the utility district pursuant to the rules of the TCEQ. The District requested an exemption from such developer participation requirement with respect to the Bonds on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its Order authorizing the District to issue the Bonds. The relative success or failure of a developer to perform such activities in development of the property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on the developer's right to sell any or all of the land which the developer owns within a district. See “FUTURE DEVELOPMENT” below.

The Developer

The developer of The Groves is Ashlar Development LLC, a privately held real estate development company founded in 2017 and based in Dallas, Texas (“Developer” or “Ashlar”). Ashlar is developing The Groves on behalf of the owner of such property, LH Groves LLC. Ashlar, a Delaware limited liability company, was established by a private investment firm with experience in the acquisition, development and construction of residential communities across the U.S. and Europe, including several in Texas. Funds managed by such private investment firm acquired The Groves, through the entity LH Groves LLC, in February 2017 from the previous developer, Crescent Communities, LLC, which had owned the property since 2012.

The Developer is financing its acquisition and development activities within the District with the proceeds of a development loan from IBC Bank (“IBC”). The IBC Loan, which is dated February 2017, is a revolving line of credit secured by a first lien deed of trust against the property owned by LH Groves LLC in the District and an assignment of contract rights of LH Groves LLC to receivables to be received from the District. The IBC Loan provides that, in the event LH Groves LLC receives reimbursement of any such receivables assigned to it, 90% of such amount shall be applied to reduce the then outstanding balance of the loan and that the principal amount of the revolving credit represented by the note will be correspondingly reduced.

The Developer has made no commitment for the payment of debt service on the Bonds. Only the owners of taxable property located in the District are legally responsible for the payment of ad valorem taxes to the District and other taxing authorities.

BUILDERS

As is described in this Official Statement under the caption “DEVELOPMENT AND HOME CONSTRUCTION,” as of June 1, 2021, the District contained 1,114 single-family residences, including 147 residences under construction. Current builders of homes located within the District are: Toll Brothers, Chesmar Homes, Lennar Homes, Highland Homes, Perry Homes, Trendmaker Homes, Village Builders, Beazer Homes, Weekley Homes, and Westin Homes. Such homebuilding companies are collectively referred to herein as the “Builders.” See “DEVELOPMENT AND HOME CONSTRUCTION” for descriptions of the subdivisions located within the District in which the Builders are currently constructing homes. Lot sales contracts between the Developer and the Builders are option contracts with the sole remedy of the Developer upon an event of default by the Builder being retention of nominal option consideration. According to the Developer, homes currently being constructed by Toll Brothers in the District range in size from approximately 2,700 square feet to 4,100 square feet of living area and in sales price from approximately $423,730 to $578,220; homes currently being constructed by Chesmar Homes in the District range in size from approximately 1,750 square feet to 2,750 square feet of living area and in sales price from approximately $220,340 to $361,340; homes currently being constructed by Lennar Homes in the District range in size from approximately 1,750 square feet to 2,750 square feet of living area and in sales price from approximately $157,000 to $395,500; homes currently being constructed by Highland Homes in the District range in size from approximately 2,000 square feet to 3,050 square feet of living area and in sales price from approximately $223,100 to $530,540; homes currently being constructed by Perry Homes in the District range in size from approximately 2,400 square feet to 3,800 square feet of living area and in sales price from approximately $238,190 to $706,890; homes currently being constructed by Trendmaker Homes in the District range in size from approximately 1,750 square feet to 2,900 square feet of living area and in sales price from approximately $257,900 to $707,490; homes currently being constructed by Village Builders in the District range in size from approximately 2,000 square feet to 3,300 square feet of living area and in sales price from approximately $223,000 to $459,950; homes currently being constructed by Beazer Homes in the District range in size from approximately 1,500 square feet to 2,100 square feet of living area and in sales price from approximately $303,340 to $352,000; homes currently being constructed by Weekley Homes in the District range in size from approximately 1,400 square feet to 2,750 square feet of living area and in sales price from approximately $216,500 to $390,140; and homes currently being constructed by Westin Homes in the District range in size from approximately 2,400 square feet to 3,800 square feet of living area and in sales price from approximately $322,600 to $503,000.

FUTURE DEVELOPMENT

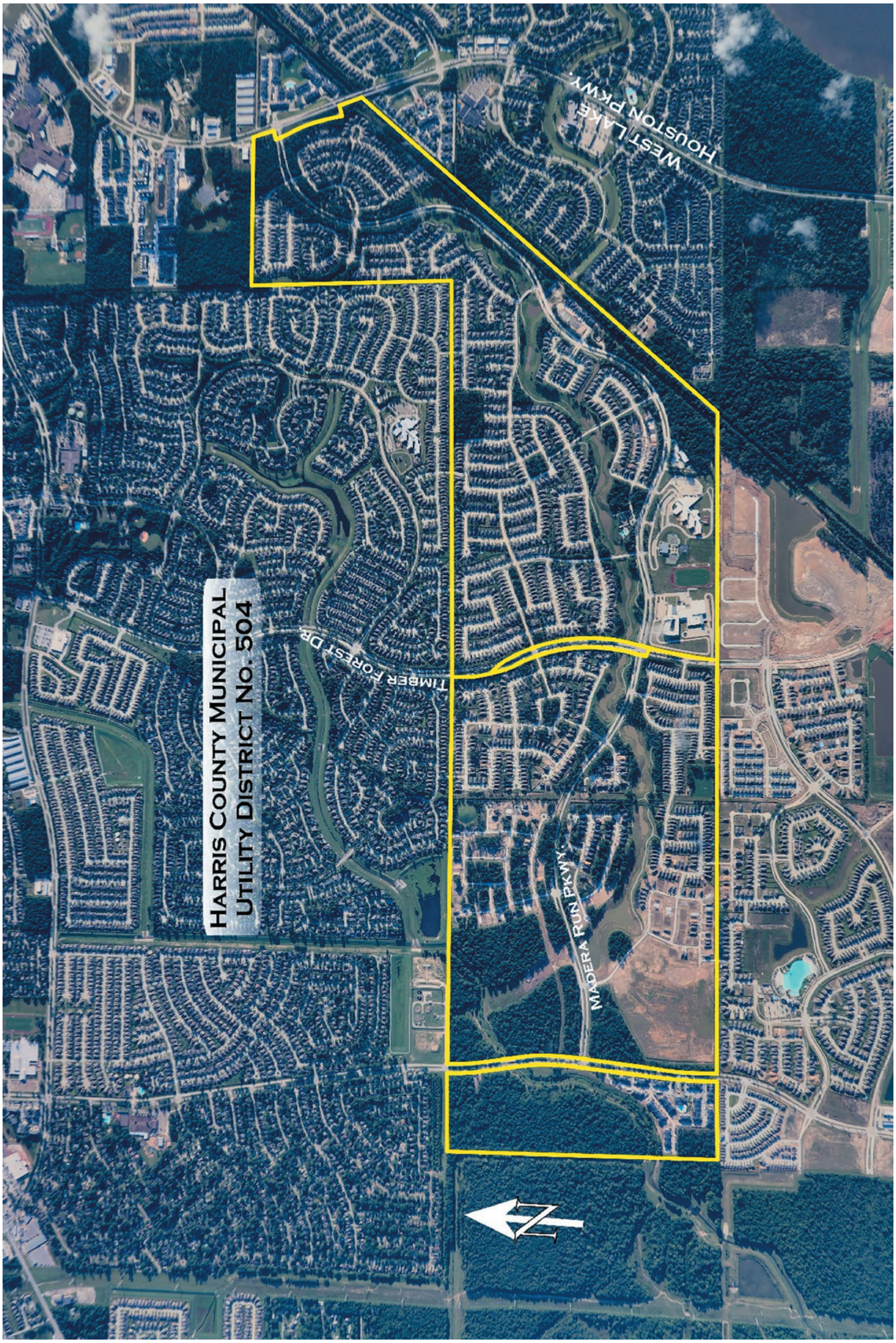
As is described above under the caption "DEVELOPMENT AND HOME CONSTRUCTION," the development of approximately 554.81 acres of land located within the District into 1,767 single-family residential lots has been completed. In addition, the Developer has initiated the development of 238 lots, on approximately 86.76 acres, as The Groves, Sections 31 (31 lots, approximately 29.97 acres), 39 (58 lots, approximately 10.47 acres) and 40 (149 lots, approximately 46.32 acres). The Developer anticipates the completion of the development of such sections, including street paving, by approximately July 2021, December 2021 and July 2022, respectively. The Developer has also initiated the development of approximately 20 acres which are currently being developed as multi-family residential (approximately 318 units), with an anticipated completion date of fall 2021.

The Developer owns approximately 113.83 acres of currently undeveloped land located within the District which are available for future development, approximately 43.83 acres of which are expected to be developed as future sections of The Groves (approximately 264 single-family residential lots). Since the Developer has no obligation to the District to undertake the development of any future section of The Groves according to any particular timetable or at all, the District cannot represent that the development of any future section of The Groves will be undertaken. The Humble Independent School District ("HISD") owns approximately 45.1 acres of land located within the District which are not subject to taxation by the District on which HISD has constructed an elementary school and a middle school. The YMCA has leased approximately 5.0 acres of the land owned by HISD on which baseball fields, playgrounds and pavilions with restrooms have been constructed. The balance of the land located within the District is contained within various street and/or drainage easements, rights-of-way, lakes and stormwater detention ponds, District plant sites, or is otherwise not available for future development.

If any undeveloped portion of the District is eventually developed, additions to the District's System required to provide service to such undeveloped acreage may be financed by future issues of the District's bonds.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the District's consulting engineer, BGE, Inc. (the "Engineer"), the $188,380,000 authorized but unissued bonds will be adequate to finance the extension of the System to serve all of the remaining undeveloped portions of the District. See "DEVELOPMENT AND HOME CONSTRUCTION" and "THE SYSTEM."

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken July 2021)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken July 2021)

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken July 2021)

DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements for the Outstanding Bonds plus the estimated principal and interest requirements of the Bonds.

Year Ending	Current Total	Plus: The Bonds		New Total
December 31	Debt Service	Principal	Interest*	Debt Service
2021	$2,060,019			$2,060,019
2022	2,237,288		$600,000	2,837,288
2023	2,235,081	$355,000	600,000	3,190,081
2024	2,235,956	370,000	585,800	3,191,756
2025	2,234,638	390,000	571,000	3,195,638
2026	2,236,251	405,000	555,400	3,196,651
2027	2,237,389	420,000	539,200	3,196,589
2028	2,246,908	425,000	522,400	3,194,308
2029	2,251,295	440,000	505,400	3,196,695
2030	2,259,283	445,000	487,800	3,192,083
2031	2,265,689	460,000	470,000	3,195,689
2032	2,270,439	470,000	451,600	3,192,039
2033	2,278,783	485,000	432,800	3,196,583
2034	2,289,426	490,000	413,400	3,192,826
2035	2,298,064	500,000	393,800	3,191,864
2036	2,304,251	515,000	373,800	3,193,051
2037	2,308,764	535,000	353,200	3,196,964
2038	2,321,319	540,000	331,800	3,193,119
2039	2,326,364	560,000	310,200	3,196,564
2040	2,334,326	570,000	287,800	3,192,126
2041	2,340,226	590,000	265,000	3,195,226
2042	2,348,358	605,000	241,400	3,194,758
2043	2,359,243	620,000	217,200	3,196,443
2044	2,367,150	635,000	192,400	3,194,550
2045	2,377,581	650,000	167,000	3,194,581
2046	2,386,675	665,000	141,000	3,192,675
2047	2,393,238	685,000	114,400	3,192,638
2048	2,402,238	705,000	87,000	3,194,238
2049	2,415,831	720,000	58,800	3,194,631
2050	2,421,950	750,000	30,000	3,201,950
	$69,044,023	$15,000,000	$10,299,600	$94,343,623

Average Annual Requirements: (2022-2050).. $3,182,193
Maximum Annual Requirement: (2050).. $3,201,950

* Interest is estimated at 4.00% per annum for purposes of illustration.

Bonded Indebtedness

2020 Assessed Valuation (As of January 1, 2020) See “TAX DATA” and “TAXING PROCEDURES”	$	364,018,968	(a)
2021 Preliminary Valuation (As of January 1, 2021) See “TAX DATA” and “TAXING PROCEDURES”	$	514,673,160	(b)
Estimated Valuation at June 1, 2021 (As of June 1, 2021) See “TAX DATA” and “TAXING PROCEDURES”	$	552,155,475	(c)
Direct Debt:			
Outstanding Bonds	$	43,440,000	
The Bonds		15,000,000	
Total	$	58,440,000	(d)
Estimated Overlapping Debt	$	20,063,734	
Total Direct and Estimated Overlapping Debt	$	78,503,734	(d)
Direct Debt Ratios			
: as a percentage of 2020 Assessed Valuation		16.05	%
: as a percentage of 2021 Preliminary Valuation		11.35	%
: as a percentage of Estimated Valuation at June 1, 2021		10.58	%
Direct and Estimated Overlapping Debt Ratios			
: as a percentage of 2020 Assessed Valuation		21.57	%
: as a percentage of 2021 Preliminary Valuation		15.25	%
: as a percentage of Estimated Valuation at June 1, 2021		14.22	%
Debt Service Fund Balance as of July 1, 2021	$	3,727,699	(e)
General Fund Balance as of July 1, 2021	$	4,050,240	
2020 Tax Rate per $100 of Assessed Valuation			
Debt Service Tax $0.85			
Maintenance Tax 0.54			
Total	$	1.39	(f)
Average Percentage of Total Tax Collections (2014-2019) Tax Levies (As of June 30, 2021)		99.47	%
Percentage of Total Tax Collections 2020 Tax Levy as of June 30, 2021 (In process of collection)		97.39	%

(a) As of January 1, 2020. All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the “Appraisal District”) at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the “Appraisal Review Board”). See “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

(b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2021, as reflected on the District's preliminary 2021 tax roll supplied to the District by the Appraisal District, and includes the preliminary 2021 values resulting from the construction of taxable improvements from January 1, 2020, through December 31, 2020. When the Appraisal District supplies a taxing entity with a preliminary tax roll, such preliminary tax roll does not include personal property values. Therefore, this amount includes the 2020 taxable value of personal property located within the District. The taxable value of personal property on the District's 2020 tax roll was $2,278,230. The District's ultimate 2021 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2021. See "TAXING PROCEDURES."

(c) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of June 1, 2021, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2020, through May 31, 2021. The ultimate assessed valuation of such additions to the District's tax roll resulting from development and construction activity from January 1, 2020, through December 31, 2020, may vary significantly from this estimate when the Appraisal Review Board certifies the valuation of District property for the purpose of determining the District's 2021 tax roll, which will be based on the valuation of District property as of January 1, 2021. Moreover, the ultimate assessed valuation of such additions to the District's tax roll resulting from development and construction activity from January 1, 2021, through May 31, 2021, may vary significantly from this estimate when the Appraisal Review Board certifies the valuation of District property for the purpose of determining the District's 2022 tax roll, which will be based on the valuation of District property as of January 1, 2022.

(d) In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds, and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. See "THE BONDS - Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt," and "THE SYSTEM."

(e) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. Such sum gives effect to the payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2021. The District's remaining debt service payments for 2021, consisting of principal of and interest on the Outstanding Bonds, are due on September 1, 2021, and total $1,309,459. The District's initial debt service payment on the Bonds, consisting of a six-month interest payment due thereon, is due on March 1, 2022.

(f) The District levied a debt service tax rate of $0.85 per $100 of Assessed Valuation and a maintenance tax of $0.54 per $100 of Assessed Valuation for 2020. Therefore, the District's combined total tax for 2020 is $1.39 per $100 of Assessed Valuation. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2020 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2020 rate, is $3.683253. Such aggregate levies are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

Estimated Direct and 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 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. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

	Debt as of	Estimated Overlapping	
Taxing Jurisdiction	June 1, 2021	Percent	Amount
Harris County[(i)]	1,672,657,125	0.07202%	$1,204,709
Harris County Department of Education	20,185,000	0.07202%	14,538
Harris County Flood Control District	334,270,000	0.07202%	240,753
Harris County Hospital District	81,540,000	0.07202%	58,728
Port of Houston Authority	492,439,397	0.07202%	354,673
Humble Independent School District	897,120,000	1.93443%	17,354,136
Lone Star College System	518,505,000	0.16127%	836,197
Total Estimated Overlapping Debt			$20,063,734
Total Direct Debt (the Bonds and the Outstanding Bonds)			58,440,000
Total Direct and Estimated Overlapping Debt			$78,503,734

[(i)] The Harris County Toll Road Authority bonds are considered to be self-supporting, and are not included in this schedule.

Debt Ratios

	% of 2020 Assessed Valuation	% of 2021 Preliminary Valuation	% of Estimated Valuation at June 1, 2021
Direct Debt	16.05%	11.35%	10.58%
Direct and Estimated Overlapping Debt....	21.57%	15.25%	14.22%

TAX DATA

Debt Service Tax

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds and any future tax-supported bonds that may be issued by the District from time to time. The Board of Directors of the District has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see "THE BONDS" and "INVESTMENT CONSIDERATIONS"). The actual rate of such tax is determined annually as a function of the District's tax base, its debt service requirements, and available funds. The District levied a debt service tax in 2020 of $0.85 per $100 of Assessed Valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. On November 5, 2013, the District voters authorized the levy of such a maintenance tax in an amount not to exceed $1.50 per $100 of Assessed Valuation. Such tax is levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. The District levied a maintenance tax in 2020 of $0.54 per $100 of Assessed Valuation.

Tax Rate Limitation

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

Historical Values and Tax Collection History

The following statement of tax collections sets forth in condensed form the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information.

Tax Year	Assessed Valuation	Tax Rate[(a)]	Total Levy	% Collections Current & Prior Years[(b)]	Year Ended 09/30
2014	7,008,348	1.39[(c)]	133,890	100.00%	2015
2015	17,605,128	1.39[(c)]	279,172	100.00	2016
2016	68,903,759	1.39	997,101	100.00	2017
2017	113,482,308	1.39	1,612,711	100.00	2018
2018	165,351,477	1.39	2,373,426	100.00	2019
2019	272,698,673	1.39	3,790,512	96.79	2020
2020	364,018,968	1.39	5,059,864	97.39[(d)]	2021

(a) Per $100 of Assessed Valuation.
(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through June 30, 2021. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.
(c) Maintenance tax only.
(d) As of June 30, 2021. In process of collection.

Tax Rate Distribution

	2020	2019	2018	2017	2016
Debt Service	$0.85	$0.76	$0.69	$0.69	$0.69
Maintenance	0.54	0.63	0.70	0.70	0.70
Total	$1.39	$1.39	$1.39	$1.39	$1.39

Tax Exemption

The District does not currently grant any tax exemptions.

Analysis of Tax Base

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

Type of Property	2020 Assessed Valuation	%	2019 Assessed Valuation	%	2018 Assessed Valuation	%
Land	$118,543,043	32.57%	$102,675,246	37.65%	$64,063,088	38.74%
Improvements	258,507,594	71.01%	179,172,733	65.70%	115,156,085	69.64%
Personal Property	3,506,199	0.96%	1,963,758	0.72%	1,954,761	1.18%
Exemptions	(16,537,868)	-4.54%	(11,113,064)	-4.07%	(15,822,457)	-9.57%
TOTAL	$364,018,968	100.00%	$272,698,673	100.00%	$165,351,477	100.00%

Type of Property	2017 Assessed Valuation	%	2016 Assessed Valuation	%
Land	$49,498,455	43.62%	$33,498,589	48.62%
Improvements	72,651,010	64.02%	38,133,234	55.34%
Personal Property	806,835	0.71%	1,036,575	1.50%
Exemptions	(9,473,992)	-8.35%	(3,764,639)	-5.46%
TOTAL	$113,482,308	100.00%	$68,903,759	100.00%

Principal 2020 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the assessed valuation of such property as of January 1, 2020. The information reflects the composition of property ownership reflected on the District's 2020 tax roll. See "THE DEVELOPER."

Taxpayer	Type of Property	Assessed Valuation 2020 Tax Roll	% of 2020 Tax Roll
LH Groves, LLC [(a)]	Lots and Homes	$15,271,703	4.20%
Perry Homes, LLC	Lots and Homes	4,802,208	1.32%
Westin Homes and Properties, L.P.	Lots and Homes	4,766,168	1.31%
Lennar Homes of Texas	Lots and Homes	4,730,289	1.30%
Chesmar Homes, LLC	Lots and Homes	4,168,076	1.15%
Highland Homes Houston, LLC	Lots and Homes	2,455,259	0.67%
Groves Community Association, Inc.	Land	1,644,475	0.45%
Trendmaker Homes, Inc.	Lots and Homes	1,112,734	0.31%
Centerpoint Energy Houston Electric	Personal Property	744,120	0.20%
Homeowner	Lot and Home	589,286	0.16%
		$40,284,318	11.07%

[(a)] See "THE DEVELOPER."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2020 Assessed Valuation, the 2021 Preliminary Valuation or the Estimated Valuation at June 1, 2021. The calculations also assume collection of 95% of taxes levied, no use of District funds on hand, and the sale of no additional bonds by the District.

Average Annual Debt Service Requirements (2022-2050)	$3,182,193
Tax Rate of $0.93 on the 2020 Assessed Valuation ($364,018,968) produces	$3,216,108
Tax Rate of $0.66 on the 2021 Preliminary Valuation ($514,673,160) produces	$3,227,001
Tax Rate of $0.61 on the Estimated Valuation at June 1, 2021 ($552,155,475) produces	$3,199,741
Maximum Annual Debt Service Requirement (2050)	$3,201,950
Tax Rate of $0.93 on the 2020 Assessed Valuation ($364,018,968) produces	$3,216,108
Tax Rate of $0.66 on the 2021 Preliminary Valuation ($514,673,160) produces	$3,227,001
Tax Rate of $0.62 on the Estimated Valuation at June 1, 2021 ($552,155,475) produces	$3,252,196

The District levied a debt service tax of $0.85 per $100 of Assessed Valuation and a maintenance tax of $0.54 per $100 of Assessed Valuation for 2020. Therefore, the District's combined total tax for 2020 is $1.39 per $100 of Assessed Valuation. As the above table indicates, the 2020 debt service rate will be sufficient to pay debt service on the Outstanding Bonds and the Bonds given taxable values in the District at the level of the 2021 Preliminary Valuation or the Estimated Valuation at June 1, 2021, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District. In addition, as is illustrated above under the caption "Historical Values and Tax Collection History," the District has collected an average of 99.47% of its 2014 through 2019 tax levies as of June 30, 2021, and its 2020 levy is 97.39% collected as of such date. Moreover, the District's Debt Service Fund balance was $3,727,699 as of July 1, 2021. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS"). The District anticipates that the foregoing factors and future increases in taxable values which are expected to occur as a consequence of the construction of homes on the lots developed by the Developer will enable it to meet the debt service requirements on the Outstanding Bonds and the Bonds without increasing the debt service tax rate above the debt service tax rate which the District levied for 2020 - $0.85 per $100 of Assessed Valuation; however, the District can make no representation that the taxable property values will increase in the future or will maintain a value sufficient to support the aforementioned tax rate. See "THE BONDS - Source of Payment" and "TAXING PROCEDURES." In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds, and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2020 taxes levied upon property located within the District, plus the District's 2020 tax rate. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Taxing Jurisdiction	2020 Tax Rate Per $100 of A.V.
The District [i]	$1.390000
Harris County	0.391160
Harris County Department of Education	0.004993
Harris County Flood Control District	0.031420
Harris County Hospital District	0.166710
Port of Houston Authority	0.009910
Humble Independent School District	1.384050
Lone Star College System	0.107800
Harris County Emergency Service District No. 1	0.097210
Harris County Emergency Service District No. 46	0.100000
Total Tax Rate	$3.683253

[i] The District levied a total tax of $1.39 per $100 of Assessed Valuation for 2020, consisting of a debt service tax of $0.85 per $100 of Assessed Valuation and a maintenance tax of $0.54 per $100 of Assessed Valuation.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Outstanding Bonds, the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS - Future Debt"), and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under "THE BONDS - Source of Payment." Under Texas law, the Board is also authorized to levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System and for the payment of certain contractual obligations. See "TAX DATA - Maintenance Tax."

Property Tax Code and County-wide Appraisal District

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

Property Subject to Taxation by the District

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has not granted a general residential homestead exemption for 2021. See "TAX DATA - Exemptions."

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

Tax Abatement

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

Valuation of Property for Taxation

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

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

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll. The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

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

The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

Special Taxing Units that adopt a total tax rate that would impose more than1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation. For the 2020 tax rate year, a determination has been made by the District's Board of Directors that the District is a Developing District.

Additional Penalties

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

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS -Tax Collection Limitations."

Tax Payment Installments after Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the 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.

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

THE SYSTEM

Regulation

According to the District's Engineer, the System has been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City of Houston, Harris County, and the Harris County Flood Control District. The construction and installation of the facilities must be made in accordance with the standards and specifications of such entities and are subject to inspection by each such entity. The total number of equivalent single-family connections ("ESFCs") currently projected for the District at the full development of its current area of approximately 981.67 acres of land is 2,667 with a total estimated population of 9,335.

Description

The System presently serves the 1,767 fully developed single-family residential lots located in The Groves, Sections 1 through 30 and 32 through 38 in the District as is enumerated in this Official Statement under the caption "DEVELOPMENT AND HOME CONSTRUCTION." The District financed the culvert crossing at Union Pacific Railroad and Harris County Flood Control District ("HCFCD") Unit No. G103-55-99 to serve the District, Lift Station No. 1, Phase 1; wastewater treatment plant expansion; lease payments for future wastewater treatment plant expansion; The Groves Drainage Channel, Phase 1; The Groves offsite utilities, a surface water transmission line along West Lake Houston Parkway; a surface water transmission line within City of Houston water plant site; components of the System to serve The Groves, Sections 1 through 12, 14 through 16, 18 through 21 and 23, the West Lake Houston Parkway Intersection, Madera Run Parkway Street Dedication, Sections 1 through 5, Greenbeck Boulevard Street Dedication, Section 1 and The Groves storm water quality trash rack; land costs for drainage channel reserves; the cost of The Groves, Section 7 Fernbank Forest Culvert crossing; lease payments for the future wastewater treatment plant; clearing and grubbing to serve The Groves drainage channel, Phase 1, The Groves off-site utilities, The Groves, Sections 1 through 13, 15, 16, and 18 through 24, The Groves Drainage Reserves Nos. 3, 4, and 5, Phases 1 and 2, offsite utilities and drainage ditch along Union Pacific Railroad, Kings Parkway, Madera Run Parkway Street Dedication, Sections 1 and 4 through 6, Madera Run Parkway to the 15-acre school site, and Timber Forest Drive Street Dedication, Sections 3 and 4; The Groves Drainage Reserves Nos. 3, 4, and 5, Phases 1 and 2, off-site 18-inch sanitary trunk and 16-inch water transmission line; ditch along Union Pacific Railroad, Timber Forest Drive Street dedication, Section 3 and Madera Run Parkway Street dedication, Section 2; and water, wastewater and drainage capital cost payments to Harris County Municipal Utility District No. 412 ("HCMUD No. 412") for participation in existing water, sewer and drainage facilities, among other items, with the proceeds of the sale of the Prior Bonds. The District will finance acquisition or construction of the culvert crossing at Union Pacific Railroad and HCFCD Unit No. G103-55-99 to serve the District; water supply and distribution, wastewater collection and treatment and storm drainage/detention facilities (the "System"), that serve The Groves, Sections 13, 17, 24 and 27; Phase 1 construction for The Groves Drainage Reserves Nos. 6, 7 and 8; clearing and grubbing for The Groves Drainage Reserves Nos. 6, 7 and 8, and The Groves, Sections 17, 25 and 26; Madera Run Parkway Street Dedication, Section 6; Timber Forest Drive Street Dedication, Section 4; Storm Water Pollution Prevention; construction and land costs for Lift Station No. 2; HCMUD No. 412 water treatment plant expansion; remaining expenses for the surface water transmission line along West Lake Houston Parkway; and lease payments for the future wastewater treatment plant expansion, among other items, with the proceeds of the sale of the Bonds. The District will finance its cost of acquiring or constructing additional components of the System with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt"

Wastewater Treatment

The District and HCMUD No. 412 have entered into an agreement to share capacity in and costs of a wastewater treatment plant and water supply facilities located within HCMUD No. 412's boundaries. All costs of the provision of wastewater treatment capacity will be shared by the District and HCMUD No. 412 on a pro-rata basis based upon the number of connections of each district served by the wastewater treatment plant. The District and HCMUD No. 412 currently provide wastewater treatment with an interim facility which contains 950,000 gallons-per-day ("g.p.d.") of capacity, the acquisition of a portion of which the District financed with a portion of the proceeds of the sale of the Prior Bonds and the acquisition of a portion of which the District is financing with a portion of the proceeds of the sale of the Bonds. According to the District's Engineer, assuming usage of 200 g.p.d. per ESFC, the capacity in the wastewater treatment plant is sufficient to provide service to 4,750 ESFCs, including all 1,271 existing ESFCs located in the District, 1,280 existing ESFCs located in HCMUD No. 412, plus 2,199 additional ESFCs.

Water Supply

In accordance with the Water Facility Cost Sharing Agreement between HCMUD No. 412 and the District, the District owns an equitable interest in water supply facilities located within HCMUD No. 412's boundaries. The sources of water are groundwater from one well at the water plant as well as surface water capacity of 166,667 g.p.d. provided by the City of Houston pursuant to the "City of Houston Water Supply and Groundwater Reduction Plan Wholesale Agreement for Regulatory Area 3 of the Harris Galveston Coastal Subsidence District" dated February 14, 2007, including capacity increase approval letters from the City of Houston dated January 26, 2009, May 24, 2011, March 11, 2015, and March 31, 2016. In June 2020, the District completed an expansion of the water supply facility including the addition of a 285,000 gallon ground storage tank and 35,000 gallon hydropneumatic tank. The District is currently constructing a 2,000 gallon per minute ("g.p.m.") groundwater well and 1,500 g.p.m. booster pump with anticipated completion in September 2021.

The existing water supply facilities, plus the facilities currently under construction, include 2,750 g.p.m. in total well capacity, 1800 g.p.m. of City of Houston surface water capacity, 7,200 g.p.m. in booster pump capacity, 855,000 gallons in ground storage capacity, 65,000 gallons of hydropneumatics tank capacity, and 7,200 g.p.m. in booster pump capacity. According to the District's Engineer, the expanded water plant facilities will provide sufficient capacity to serve 3,600 ESFCs, including all 1,271 existing connections located in the District, 1,280 connections located in HCMUD No. 412, plus 1,049 additional connections. All costs of production of water are shared by the District and HCMUD No. 412 on a pro rata basis based upon the number of connections of each district to the water supply facilities. The District financed the acquisition of its capacity in such water facilities with a portion of the proceeds of the Prior Bonds.

Drainage Improvements

Storm water drainage for the District is collected by a network of internal collection facilities that drain into Harris County Flood Control District Channel (G103-55-99), which ultimately empties into Lake Houston on the east side of the District. The District has constructed a drainage channel and storm water quality facilities. The District acquired its pro-rata share of the drainage channel owned by HCMUD No. 412 with a portion of the proceeds of the Prior Bonds and is financing the acquisition of its pro-rata share of such facilities with a portion of the proceeds of the sale of the Bonds. All costs of the drainage channel will be shared by the District and HCMUD No. 412 on a pro-rata basis based upon the number of connections served by the joint drainage facilities.

100-Year Flood Plain

According to Federal Emergency Management Agency ("FEMA") Flood Insurance Rate Map ("FIRM") panels 48201C0510L, effective June 18, 2007, and 48201C0505M, effective June 9, 2014, approximately 0.2 acres of the District's developable land is located within the official 100-year flood plain (zone AE). The 100-year flood plain is located on the western edge of the District adjacent to Harris County Flood Control District Channel Williams Gully (P130-02-00).

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

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

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development of the District is directly related to the vitality of the residential housing industry. New construction can be significantly affected by factors such as interest rates, construction costs, credit availability, energy availability and cost, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. Further fluctuations in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing and the values of existing homes (see "Potential Effects of Oil Price Fluctuations on the Houston Area" below). Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although development of the District has occurred as is described in this Official Statement under the captions "DEVELOPMENT AND HOME CONSTRUCTION," the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date.

National Economy: The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, employment levels and general economic conditions. Although development in the District has occurred as is described in this Official Statement under the captions "DEVELOPMENT AND HOME CONSTRUCTION," the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date. The District cannot predict what impact, if any, a downturn in the local housing markets or a downturn in the national housing and financial markets may have on the Houston market generally and the District specifically. See "TAXING PROCEDURES."

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on development and homebuilding activity, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders are able to finance the construction of new homes for sale. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District and of homebuilders to initiate the construction of new homes for sale. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction within the District. In addition, since the District is located approximately 20 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect development and homebuilding plans in the District and restrain the growth of the District's property tax base.

Developer/Builder/Landowner Obligation to the District: The ability of Ashlar (defined under "THE DEVELOPER") or any other principal taxpayer within the District (see "TAX DATA - Principal 2020 Taxpayers") to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. There is no commitment by or legal requirement of Ashlar or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any of the Builders or any other home building company to proceed at any particular pace with the construction of homes in the District, and there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of home construction activity in the District. See "FUTURE DEVELOPMENT."

Maximum Impact on District Tax Rates

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds will be $3,201,950 (2050) and the Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds will be $3,182,193 (2022 through 2050, inclusive). The District's 2020 Assessed Valuation of property located within the District is $364,018,968. Assuming no increase to nor decrease from the 2020 Assessed Valuation and the issuance of no additional bonds by the District, a tax rate of $0.93 per $100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements. The District's 2021 Preliminary Valuation of property located within the District is $514,673,160. Assuming no increase to nor decrease from the 2021 Preliminary Valuation and the issuance of no additional bonds by the District, a tax rate of $0.66 per $100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements. The Estimated Valuation at June 1, 2021, of property located within the District supplied by the Appraisal District is $552,155,475. Assuming no increase to nor decrease from the Estimated Valuation at June 1, 2021, and the issuance of no additional bonds by the District, tax rates of $0.62 and $0.61 per $100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. See "TAX DATA - Tax Rate Calculations."

The District levied a debt service tax of $0.85 per $100 of Assessed Valuation, plus a maintenance tax of $0.54 per $100 of Assessed Valuation for 2020. As the above calculations indicate, the 2020 debt service rate will be sufficient to pay debt service on the Outstanding Bonds and the Bonds given taxable values in the District at the level of the 2021 Preliminary Valuation or the Estimated Valuation at June 1, 2021, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District. See "TAXING PROCEDURES." In addition, as is illustrated in this Official Statement under the caption "TAX DATA - Historical Values and Tax Collection History," the District has collected an average of 99.47% of its 2014 through 2019 tax levies as of June 30, 2021, and the 2020 tax levy is 97.39% collected as of such date. Moreover, the District's Debt Service Fund balance was $3,727,699 as of July 1, 2021. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS"). The District anticipates that the foregoing factors and future increases in taxable values which are expected to occur as a consequence of the construction of homes on the lots developed by the Developer will enable it to meet the debt service requirements on the Outstanding Bonds and the Bonds without increasing the debt service tax rate above the debt service tax rate which the District levied for 2020 - $0.85 per $100 of Assessed Valuation; however, the District can make no representation that the taxable property values will increase in the future or will maintain a value sufficient to support the aforementioned tax rate. See "THE BONDS - Source of Payment" and "TAXING PROCEDURES." Increases in the District's tax rate to higher levels than the total $1.39 per $100 of Assessed Valuation rate which the District levied for 2020 may have an adverse impact upon future development of the District, the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2020 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2020 rate, is $3.683253 per $100 of Assessed Valuation. Such aggregate rates are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District.

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

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not 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. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government’s sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgement for money damages. Even if Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

The enforceability of the rights and remedies of the Registered Owners may be further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See “THE BONDS - Registered Owners’ Remedies” and - “Bankruptcy Limitations to Registered Owners’ Rights.”

The District may not be placed into bankruptcy involuntarily.

Marketability

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

Future Debt

The District reserved in the Bond Resolution the right to issue the remaining $188,380,000 in unlimited tax bonds authorized but unissued for waterworks, wastewater and drainage facilities and for refunding such bonds, the $131,380,000 for road facilities and refunding such bonds, the $40,700,000 for parks and recreational facilities and for refunding such bonds, and such additional bonds as may hereafter be approved by the voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. All of the remaining bonds described above for waterworks, wastewater and drainage facilities which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such $188,380,000 in bonds for waterworks, wastewater and drainage facilities and $40,700,000 for parks and recreational facilities is also subject to TCEQ authorization. In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds, and is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. See “THE BONDS - Issuance of Additional Debt” and “THE SYSTEM.”

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Voters in the District have authorized $40,700,000 in unlimited tax bonds for park and recreational facilities, none of which bonds have been issued to date. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the TCEQ; and (a) approval of the bonds by the Attorney General of Texas. If the District does issue park and recreational facility bonds, the outstanding principal amount of any such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless, effective June 14, 2021, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not three percent of the value of the taxable property in the District.

The District's Engineer currently estimates that the aforementioned $188,380,000 authorized bonds which remain unissued will be adequate to finance the construction of all waterworks, wastewater, and drainage facilities and refunding of the same to serve all the remaining undeveloped portions of the District. See "Maximum Impact on District Tax Rates" above, "THE BONDS," "FUTURE DEVELOPMENT," "DEVELOPMENT AND HOME CONSTRUCTION" and "THE SYSTEM." If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS - Issuance of Additional Debt."

Competitive Nature of Houston Residential Housing Market

The housing industry in the Houston metropolitan area, including the City of Houston, is very competitive, and the District can give no assurance that the building programs which are planned by the Builders or any future home builder(s) will be continued or completed. The respective competitive positions of the Developer and the Builders and any other developer(s) or home builder(s) which might attempt future development or home building projects in the District in the sale of developed lots or in the construction and sale of single family residential units are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, or the adequacy or accuracy of the information contained in this Official Statement.

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements. While the EPA has revoked the 1997 Ozone Standards, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area "anti-backsliding" requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ's "redesignation substitute" for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

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

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

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

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

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

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

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

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

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

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

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. 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 itself has 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 is effective June 22, 2020, and is currently the subject of ongoing litigation.

Due to existing and possible future litigation, 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.

Extreme Weather Events

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

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e., "500 year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. However, according to the District's Operator and Engineer, the District's System did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, according to the District's Engineer, after investigation, although the District experienced street flooding, there was no apparent material wind or water damage to homes within the District.

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

Specific Flood Type Risks. Ponding, or pluvial, 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.

Infectious Disease Outbreak (COVID-19)

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

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 except in counties with an “area with high hospitalizations” where a county judge may impose COVID-19 related mitigation strategies. Harris County is not currently an “area with high hospitalizations.” The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the decrease in the number of active COVID-19 cases and the easing or removal of 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 service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

Potential Effects of Oil Price Fluctuations on the Houston Area

The 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 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.

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.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the unqualified 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 Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, and all taxable property within the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount, based upon examination of a transcript of certified proceedings held incident to the issuance and authorization of the Bonds, and the approving legal opinion of Allen Boone Humphries Robinson LLP, Bond Counsel for the District, to a like effect. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Bond Counsel's opinion will also address the matters described below under “TAX MATTERS.”

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS” (except for the information under the subheadings “Book-Entry-Only System” and “Use and Distribution of Bond Proceeds”), “THE DISTRICT - General,” “ - Management of the District - Bond Counsel and General Counsel,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, procedures and the provisions of the documents referred to therein and conforms to the provisions of the Order of the TCEQ approving the Bonds and to the requirements of the

City of Houston with respect to the sale of the Bonds. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., as Disclosure Counsel for the District.

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

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, that, to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

The obligations of the Underwriter to take up and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale. As is stated in this Preliminary Official Statement under the caption “SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Insurance and Ratings,” if the Underwriter elects to purchase municipal bond insurance on the Bonds, the rating of the insurer’s creditworthiness by any rating agency does not and will not in any manner affect the District’s financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District’s financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that it will comply with these requirements.

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

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

OFFICIAL STATEMENT

General

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

The financial statements of the District as of June 30, 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 B."

Experts

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled "THE BONDS - Use and Distribution of Bond Proceeds," "THE DISTRICT" and "THE SYSTEM" has been provided by BGE, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Assessments of the Southwest and the Appraisal District. Such information has been included herein in reliance upon Assessments of the Southwest's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

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

Updating of Official Statement

If, subsequent to the date of the Official Statement, to and including the date the Underwriter is no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the "SEC"), the District learns, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the "end of the underwriting period" as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the "end of the underwriting period."

Official Statement "Deemed Final"

For purposes of compliance with the Rule, this document, as the same may be supplemented or corrected by the District from time to time, may be treated as an "official statement" with respect to the Bonds described herein "deemed final" by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

This document, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "final official statement" of the District with respect to the Bonds, as that term is defined in the Rule.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually. 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 "DISTRICT DEBT," "TAX DATA," and in "APPENDIX B - Independent Auditor's Report and Financial Statements." The District will update and provide this information within six months after the end of each of its fiscal years ending in and 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 information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond 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 June 30. Accordingly, it must provide updated information by December 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

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

Availability of Information

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 504 as of the date shown on the first page hereof.

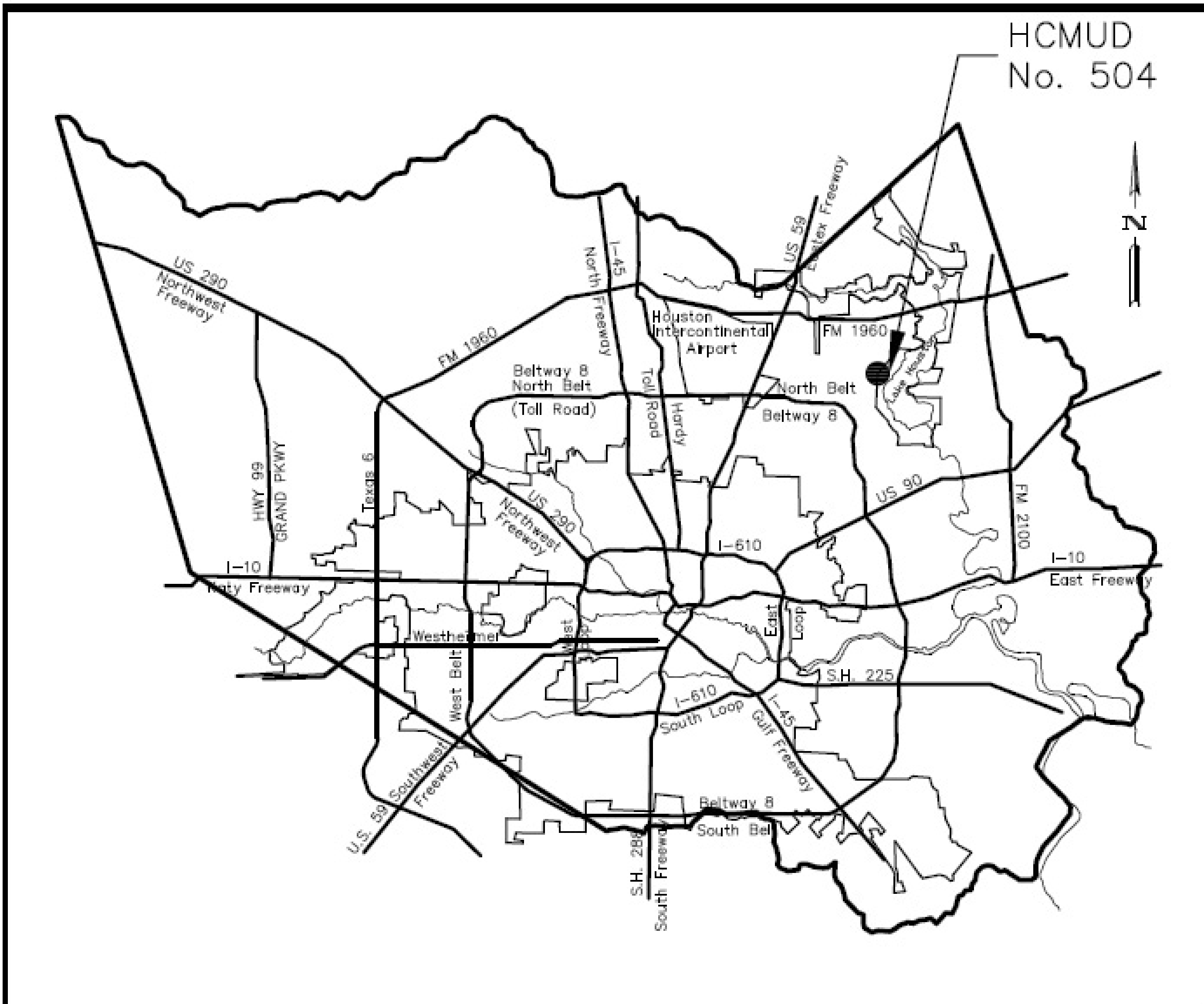
President, Board of Directors
Harris County Municipal Utility District No. 504

ATTEST:

Secretary, Board of Directors
Harris County Municipal Utility District No. 504

APPENDIX A

LOCATION MAP



HCMUD No. 504 LOCATION MAP

APPENDIX B

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 504

HARRIS COUNTY, TEXAS

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2020

Harris County Municipal Utility District No. 504

Harris County, Texas

Independent Auditor's Report and Financial Statements

June 30, 2020

BKD

CPAs & Advisors

Harris County Municipal Utility District No. 504
June 30, 2020

Contents

BKD
CPAs & Advisors

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Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 504
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 504 (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 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 schedule listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

BKD, LLP

Houston, Texas
November 11, 2020

Harris County Municipal Utility District No. 504

Management's Discussion and Analysis

June 30, 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.

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2020	2019
Current and other assets	$ 6,262,783	$ 3,837,180
Capital assets	38,995,068	28,693,750
Total assets	$ 45,257,851	$ 32,530,930
Long-term liabilities	$ 67,998,197	$ 50,203,849
Other liabilities	866,218	790,668
Total liabilities	68,864,415	50,994,517
Net position:		
Net investment in capital assets	(28,541,481)	(21,390,998)
Restricted	2,249,446	1,268,790
Unrestricted	2,685,471	1,658,621
Total net position	$ (23,606,564)	$ (18,463,587)

The total net position of the District decreased by $5,142,977, or about 28 percent. The decrease in net position is primarily related to the conveyance of capital assets to another governmental entity for ownership and maintenance. 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.

Summary of Changes in Net Position

	2020	2019
Revenues:		
Property taxes	$ 3,871,930	$ 2,357,313
Charges for services	1,010,462	727,476
Other revenues	714,783	508,446
Total revenues	5,597,175	3,593,235

Harris County Municipal Utility District No. 504
Management's Discussion and Analysis (Continued)
June 30, 2020

Summary of Changes in Net Position (Continued)

	2020	2019
Expenses:		
Services	$ 2,730,207	$ 2,152,749
Conveyance of capital assets	4,798,012	4,217,535
Purchase of capacity	434,621	-
Depreciation	936,671	670,518
Debt service	1,840,641	992,433
Total expenses	10,740,152	8,033,235
Change in net position	(5,142,977)	(4,440,000)
Net position, beginning of year	(18,463,587)	(14,023,587)
Net position, end of year	$ (23,606,564)	$ (18,463,587)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended June 30, 2020, were $5,773,674, an increase of $2,361,445 from the prior year.

The general fund's fund balance increased by $1,006,830. This increase was primarily due to property taxes, service revenues and an interfund transfer from the capital projects fund exceeding service operation expenditures. In addition, tap connection revenues exceeded the related tap connection expenditures.

The debt service fund's fund balance increased by $819,195, primarily due to property tax revenues generated exceeding principal and interest payments on the District's bonded indebtedness.

The capital project fund's fund balance increased by $535,420. This increase was primarily due to proceeds received from the sale of the District's Series 2019 Unlimited Tax Bonds and the 2019 Bond Anticipation Note being greater than capital outlay expenditures, debt issuance costs, interfund transfers and repayments of developer advances and the 2018 Bond Anticipation Note.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property taxes and service revenues, and purchased services and repairs and maintenance expenditures being greater than anticipated. The fund balance as of June 30, 2020, was expected to be $2,463,388 and the actual end-of-year fund balance was $2,658,318.

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	$ 11,299,075	$ 9,815,972
Water facilities	7,083,399	3,992,633
Wastewater facilities	10,273,054	6,675,142
Drainage facilities	2,644,335	1,754,337
Recreational facilities	119,081	125,696
Roads	7,576,174	6,329,970
Total capital assets	$ 38,995,118	$ 28,693,750

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

Water and sewer facilities to serve The Groves, Sections 10-14, 16-18, 20, 21, 23-26 and 28-30; Madera Run Parkway street dedication, Sections 4, 5 and 6; and trunk utilities to serve development along Woodland Hills Drive	$ 5,239,184
Clearing and grubbing to serve The Groves, Sections 11, 12, 15-19, 20-24 and 32-37; Madera Run Parkway street dedication, Sections 2 and 4-6; Timber Forest Drive street dedication, Section 4; The Groves, Sections 13 and 24; and Timber Forest Drive, Section 3	512,557
14" effluent force main	70,800
Wastewater treatment plant expansion	1,052,328
Lift station No. 3	742,435
Drainage facilities to serve The Groves, Sections 26 and 28 and Madera Run Parkway, Section 6	953,225
Paving for Madera Run Parkway, Section 6	1,696,914
Purchase of land for drainage reserves Nos. 3, 4 and 5	970,546
Total additions to capital assets	$ 11,237,989

The developer within the District has constructed water, sewer, drainage, recreational and road facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission. As of June 30, 2020, a liability for developer-constructed capital assets of $30,912,287 was recorded in the government-wide financial statements.

Since inception, the developer has advanced $130,000 to the District for operations, net of repayments. These advances have been recorded as liabilities in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended June 30, 2020, are summarized as follows:

Long-term debt payable, beginning of year	$ 50,203,849
Increases in long-term debt	31,973,220
Decreases in long-term debt	14,178,872
Long-term debt payable, end of year	$ 67,998,197

At June 30, 2020, the District had $215,440,000 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, $131,380,000 of unlimited tax bonds authorized, but unissued, for financing and constructing road facilities, and $40,700,000 of unlimited tax bonds authorized, but unissued, for financing and constructing recreational facilities.

The District's bonds carry an underlying rating of "Baa3" from Moody's Investors Service. The Series 2017, 2018 and 2019 bonds carry a "AA" rating 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 of Houston (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. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Contingencies

The developer of the District is constructing water, sewer, drainage, recreational and road facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately $7,838,700. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Subsequent Event

On August 11, 2020, the District sold its Series 2020 Unlimited Tax Bonds in the amount of $12,060,000 at a net effective interest rate of approximately 2.668 percent. The bonds were sold to repay the District's developer for construction projects financed within the district.

Harris County Municipal Utility District No. 504

Statement of Net Position and Governmental Funds Balance Sheet

June 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 205,161	$ 1,728,326	$ 54,807	$ 1,988,294	$ -	$ 1,988,294
Certificates of deposit	1,453,315	492,876	-	1,946,191	-	1,946,191
Short-term investments	1,028,940	-	855,572	1,884,512	-	1,884,512
Receivables:						
Property taxes	27,153	26,457	-	53,610	-	53,610
Service accounts	196,447	-	-	196,447	-	196,447
Accrued penalty and interest	-	-	-	-	11,557	11,557
Accrued interest	8,381	285	-	8,666	-	8,666
Interfund receivable	73,549	-	-	73,549	(73,549)	-
Due from others	97,820	300	7	98,127	-	98,127
Prepaid expenditures	10,279	-	65,100	75,379	-	75,379
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	11,299,075	11,299,075
Infrastructure	-	-	-	-	20,000,738	20,000,738
Recreational facilities	-	-	-	-	119,081	119,081
Roads	-	-	-	-	7,576,174	7,576,174
Total assets	$ 3,101,045	$ 2,248,244	$ 975,486	$ 6,324,775	$ 38,933,076	$ 45,257,851

Harris County Municipal Utility District No. 504
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
June 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	$ 250,895	$ 4,679	$ 3,689	$ 259,263	$ -	$ 259,263
Accrued interest payable	-	-	-	-	442,276	442,276
Customer deposits	162,413	-	-	162,413	-	162,413
Due to others	2,266	-	-	2,266	-	2,266
Interfund payable	-	24,805	48,744	73,549	(73,549)	-
Long-term liabilities:						
Due within one year	-	-	-	-	205,000	205,000
Due after one year	-	-	-	-	67,793,197	67,793,197
Total liabilities	415,574	29,484	52,433	497,491	68,366,924	68,864,415
Deferred Inflows of Resources						
Deferred property tax revenues	27,153	26,457	0	53,610	(53,610)	0
Fund Balances/Net Position						
Fund balances:						
Nonspendable, prepaid expenditures	10,279	-	65,100	75,379	(75,379)	-
Restricted:						
Unlimited tax bonds	-	2,192,303	-	2,192,303	(2,192,303)	-
Water, sewer and drainage	-	-	857,953	857,953	(857,953)	-
Assigned, operating reserve	95,000	-	-	95,000	(95,000)	-
Unassigned	2,553,039	-	-	2,553,039	(2,553,039)	-
Total fund balances	2,658,318	2,192,303	923,053	5,773,674	(5,773,674)	0
Total liabilities, deferred inflows of resources and fund balances	$ 3,101,045	$ 2,248,244	$ 975,486	$ 6,324,775		
Net position:						
Net investment in capital assets					(28,541,481)	(28,541,481)
Restricted for debt service					1,788,041	1,788,041
Restricted for capital projects					461,405	461,405
Unrestricted					2,685,471	2,685,471
Total net position					$ (23,606,564)	$ (23,606,564)

Harris County Municipal Utility District No. 504

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

Year Ended June 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 1,779,293	$ 2,053,191	$ -	$ 3,832,484	$ 39,446	$ 3,871,930
Water service	657,937	-	-	657,937	-	657,937
Sewer service	352,525	-	-	352,525	-	352,525
Penalty and interest	8,119	16,045	-	24,164	11,557	35,721
Tap connection and inspection fees	429,145	-	-	429,145	-	429,145
Investment income	37,805	14,380	10,456	62,641	-	62,641
Other income	4,745	-	182,531	187,276	-	187,276
Total revenues	3,269,569	2,083,616	192,987	5,546,172	51,003	5,597,175
Expenditures/Expenses						
Service operations:						
Purchased services	861,208	-	-	861,208	-	861,208
Professional fees	172,085	3,471	-	175,556	201,313	376,869
Contracted services	265,198	40,261	-	305,459	2,000	307,459
Utilities	8,862	-	-	8,862	-	8,862
Repairs and maintenance	635,354	-	-	635,354	-	635,354
Tap connections	267,435	-	-	267,435	-	267,435
Lease payments	-	-	-	-	198,800	198,800
Other expenditures	68,097	4,009	114	72,220	2,000	74,220
Capital outlay	-	-	9,732,555	9,732,555	(9,732,555)	-
Purchase of capacity	-	-	-	-	434,621	434,621
Conveyance of capital assets	-	-	-	-	4,798,012	4,798,012
Depreciation	-	-	-	-	936,671	936,671
Debt service:						
Principal retirement	-	200,000	6,240,000	6,440,000	(6,440,000)	-
Interest and fees	-	1,016,680	123,238	1,139,918	102,213	1,242,131
Debt issuance costs	-	-	598,510	598,510	-	598,510
Total expenditures/expenses	2,278,239	1,264,421	16,694,417	20,237,077	(9,496,925)	10,740,152
Excess (Deficiency) of Revenues Over Expenditures	991,330	819,195	(16,501,430)	(14,690,905)	9,547,928	

Harris County Municipal Utility District No. 504

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

Year Ended June 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)						
Interfund transfers in (out)	$ 15,500	$ -	$ (15,500)	$ -	$ -	
Repayment of developer advances	-	-	(145,000)	(145,000)	145,000	
General obligation bonds issued	-	-	11,255,000	11,255,000	(11,255,000)	
Discount on debt issued	-	-	(337,650)	(337,650)	337,650	
Bond anticipation note issued	-	-	6,280,000	6,280,000	(6,280,000)	
Total other financing sources	15,500	0	17,036,850	17,052,350	(17,052,350)	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,006,830	819,195	535,420	2,361,445	(2,361,445)	
Change in Net Position					(5,142,977)	$ (5,142,977)
Fund Balances/Net Position						
Beginning of year	1,651,488	1,373,108	387,633	3,412,229	-	(18,463,587)
End of year	$ 2,658,318	$ 2,192,303	$ 923,053	$ 5,773,674	$ 0	$ (23,606,564)

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

Harris County Municipal Utility District No. 504 (the District) was created by an order of the Texas Commission on Environmental Quality (the Commission), effective March 3, 2009, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended, 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.

Government-wide and Fund Financial Statements

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

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

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

The District presents the following major governmental funds:

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

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

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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.

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.

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

Investment income 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. Revenues recognized during the fiscal year ended June 30, 2020, include collections during the current period or within 60 days of year-end related to the 2019 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended June 30, 2020, the 2019 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, 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.

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
Roads	10-25
Recreational facilities	10-25

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.

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.	$ 38,995,068
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	53,610
Penalty and interest on delinquent taxes is not receivable in the current period and is not reportable in the funds.	11,557
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(442,276)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	(67,998,197)
Adjustment to fund balances to arrive at net position.	$ (29,380,238)

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.	$	2,361,445
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 capital outlay expenditures exceeded depreciation, noncapitalized costs and conveyance of capital assets in the current year.		3,159,138
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.		145,000
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		337,650
Governmental funds report proceeds from the sales of bonds and bond anticipation notes because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. For the statement of activities, these transactions do not have any effect on net position.		(11,095,000)
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.		51,003
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.		(102,213)
Change in net position of governmental activities.	$	(5,142,977)

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 June 30, 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.

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

The District invests in TexSTAR, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Directors, made up of participants and representatives of the administrator and investment manager, has oversight of TexSTAR. The District's investments may be redeemed at any time.

At June 30, 2020, the District had the following investments and maturities:

		Maturities in Years			
Type	**Amortized Cost**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
TexSTAR	$ 1,884,512	$ 1,884,512	$ 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 this issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2020, the District's investments in TexSTAR were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at June 30, 2020, as follows:

Carrying value:	
Deposits	$ 3,934,485
Investments	1,884,512
Total	$ 5,818,997

Included in the following statement of net position captions:

Cash	$ 1,988,294
Certificates of deposit	1,946,191
Short-term investments	1,884,512
Total	$ 5,818,997

Investment Income

Investment income of $62,641 for the year ended June 30, 2020, consisted of interest income.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended June 30, 2020, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	$ 9,815,972	$ 1,483,103	$ 11,299,075

Governmental Activities (Continued)	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, depreciable:			
Water production and distribution facilities	$ 4,293,264	$ 3,259,151	$ 7,552,415
Wastewater collection and treatment facilities	7,170,291	3,845,596	11,015,887
Drainage facilities	1,894,520	953,225	2,847,745
Recreational facilities	132,312	-	132,312
Roads	7,335,890	1,696,914	9,032,804
Total capital assets, depreciable	20,826,277	9,754,886	30,581,163
Less accumulated depreciation:			
Water production and distribution facilities	(300,631)	(168,385)	(469,016)
Wastewater collection and treatment facilities	(495,149)	(247,684)	(742,833)
Drainage facilities	(140,183)	(63,227)	(203,410)
Recreational facilities	(6,616)	(6,615)	(13,231)
Roads	(1,005,920)	(450,710)	(1,456,630)
Total accumulated depreciation	(1,948,499)	(936,621)	(2,885,120)
Total governmental activities, net	$ 28,693,750	$ 10,301,368	$ 38,995,118

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 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	$ 20,530,000	$ 11,255,000	$ 200,000	$ 31,585,000	$ 205,000
Less discounts on bonds	585,058	337,650	13,618	909,090	-
	19,944,942	10,917,350	186,382	30,675,910	205,000
Bond anticipation note	6,240,000	6,280,000	6,240,000	6,280,000	-
Developer advances	275,000	-	145,000	130,000	-
Due to developer	23,743,907	14,775,870	7,607,490	30,912,287	-
Total governmental activities long-term liabilities	$ 50,203,849	$ 31,973,220	$ 14,178,872	$ 67,998,197	$ 205,000

General Obligation Bonds

	Series 2015	Series 2017
Amounts outstanding, June 30, 2020	$5,060,000	$4,695,000
Interest rates	2.00% to 4.10%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2020/2044	September 1, 2020/2046
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2022	September 1, 2024

	Series 2018	Series 2019
Amounts outstanding, June 30, 2020	$10,575,000	$11,255,000
Interest rates	3.125% to 5.625%	3.00% to 5.50%
Maturity dates, serially beginning/ending	September 1, 2021/2047	September 1, 2021/2049
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2023	September 1, 2024

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

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at June 30, 2020:

Year	Principal	Interest	Total
2021	$ 205,000	$ 1,137,899	$ 1,342,899
2022	585,000	1,122,403	1,707,403
2023	605,000	1,095,209	1,700,209
2024	635,000	1,066,606	1,701,606
2025	660,000	1,036,397	1,696,397
2026-2030	3,770,000	4,744,877	8,514,877
2031-2035	4,590,000	4,014,537	8,604,537
2036-2040	5,555,000	3,130,734	8,685,734
2041-2045	6,755,000	2,030,461	8,785,461
2046-2050	8,225,000	696,280	8,921,280
Total	$ 31,585,000	$ 20,075,403	$ 51,660,403

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

Bonds voted:	
Water, sewer and drainage facilities and refunding	$ 247,320,000
Roads and refunding	131,380,000
Recreational facilities and refunding	40,700,000
Bonds sold:	
Water, sewer and drainage facilities	31,880,000

Due to Developer

The developer of the District has constructed water, sewer, drainage, recreational and road facilities on behalf of the District. The District has agreed to reimburse the developer for these construction costs and interest to the extent approved by the Commission from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects are $30,912,287. These amounts have been recorded in the financial statements as long-term liabilities.

Developer Advances

Since inception, the developer has advanced $130,000 to the District for operations, net of repayments. These advances have been recorded as liabilities in the government-wide financial statements.

Bond Anticipation Note

On December 5, 2019, the District sold its 2019 Bond Anticipation Note in the amount of $6,280,000. The note is dated December 12, 2019, bears interest at the rate of 1.80 percent and matures December 12, 2020, unless called for early redemption. Subsequent to year-end, the note was paid in full from the proceeds of the Series 2020 bonds.

Note 5: Significant Bond Resolution and Commission Requirements

A. The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended June 30, 2020, the District levied an ad valorem debt service tax at the rate of $0.7600 per $100 of assessed valuation, which resulted in a tax levy of $2,015,677 on the taxable valuation of $265,220,572 for the 2019 tax year. The principal and interest requirements to be paid from the tax revenues are $1,405,621 of which $630,580 has been paid and $775,041 is due September 1, 2020.

B. During the current year, the District transferred $15,500 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.

Note 6: Maintenance Taxes

At an election held November 5, 2013, voters authorized a maintenance tax not to exceed $1.50 per $100 valuation on all property within the District subject to taxation. During the year ended June 30, 2020, the District levied an ad valorem maintenance tax at the rate of $0.6300 per $100 of assessed valuation, which resulted in a tax levy of $1,670,890 on the taxable valuation of $265,220,572 for the 2019 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Wastewater Treatment Plant Lease

On January 6, 2014, the District entered into a lease of a 395,000 gallons per-day (gpd) wastewater treatment plant. The initial term of the lease was for 60 months and called for monthly payments of $18,600 and after the initial term, the lease continues for successive 90-day periods at a rate of $12,500 per month. Payments are currently $12,500 per month beginning March 2020. On February 10, 2020, the District entered into a lease for Phase III expansion of the wastewater treatment plant. The initial term of the lease is for 60 months after substantial completion of the expansion, with monthly lease payments of $26,300. After the initial term, the lease continues for successive 90-day periods at a rate of $13,650 per month. As of June 30, 2020, the Phase III expansion was not complete. Lease expenditures for the current year were $198,800.

Note 8: Contracts With Other Governmental Units

Water Facilities Agreement

On May 18, 2010, the developer of the District entered into a Water Facilities Cost Sharing Agreement (Water Facilities Agreement) with Harris County Municipal Utility District No. 412 (District No. 412) and Harris County Municipal Utility District No. 505 (District No. 505). The Water Facilities Agreement provides for the construction and operation of joint water facilities to be utilized by the parties to the Water Facilities Agreement. Construction costs are to be allocated based upon each district's projected number of equivalent single-family connections (ESFCs) to be served by the water facilities. Operating costs are to be billed based upon each district's actual ESFCs. The District has remitted an operating reserve of $75,000 to District No. 412 and has recorded expenditures of $616,987 for the year ended June 30, 2020, under the terms of the Water Facilities Agreement.

Sanitary Sewer Facilities Agreement

On May 18, 2010, the developer of the District entered into a Sanitary Sewer Facilities Cost Sharing Agreement (Sanitary Sewer Facilities Agreement) with District No. 412 and District No. 505. The Sanitary Sewer Facilities Agreement provides for the construction and operation of joint sanitary sewer facilities to be utilized by the parties to the Sanitary Sewer Facilities Agreement. Construction costs are to be allocated based upon each district's projected number of ESFCs to be served by the sewer facilities. Operating costs are to be billed based upon each district's actual ESFCs. The District has remitted an operating reserve of $10,000 to District No. 412 and has recorded expenditures of $153,886 for the year ended June 30, 2020, under the terms of the Sanitary Sewer Facilities Agreement.

Drainage Facilities Agreement

On May 18, 2010, the developer of the District entered into a Drainage Facilities Cost Sharing Agreement (Drainage Facilities Agreement) with District No. 412 and District No. 505. The Drainage Facilities Agreement provides for the construction and operation of joint drainage facilities to be utilized by the parties to the Drainage Facilities Agreement. Construction costs are to be allocated based upon each district's acreage served by the facilities. Operating costs are to be billed based upon each district's acreage served by the components of the facilities. The District has remitted an operating reserve of $10,000 to District No. 412 and has recorded expenditures of $90,335 for the year ended June 30, 2020, under the terms of the Drainage Facilities Agreement.

Note 9: 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 for the past three fiscal years.

Note 10: Contingencies

The developer of the District is constructing water, sewer, drainage, recreational and road facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately $7,838,700. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 11: Subsequent Event

On August 11, 2020, the District sold its Series 2020 Unlimited Tax Bonds in the amount of $12,060,000 at a net effective interest rate of approximately 2.668 percent. The bonds were sold to repay the District's developer for construction projects financed within the district.

Note 12: Uncertainties

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

Required Supplementary Information

Harris County Municipal Utility District No. 504
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2020

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 1,645,000	$ 1,779,293	$ 134,293
Water service	485,000	657,937	172,937
Sewer service	230,000	352,525	122,525
Penalty and interest	10,000	8,119	(1,881)
Tap connection and inspection fees	390,000	429,145	39,145
Investment income	17,000	37,805	20,805
Other	-	4,745	4,745
Total revenues	2,777,000	3,269,569	492,569
Expenditures			
Service operations:			
Purchased services	640,000	861,208	(221,208)
Professional fees	150,000	172,085	(22,085)
Contracted services	227,000	265,198	(38,198)
Utilities	7,000	8,862	(1,862)
Repairs and maintenance	561,500	635,354	(73,854)
Other expenditures	94,600	68,097	26,503
Tap connections	285,000	267,435	17,565
Total expenditures	1,965,100	2,278,239	(313,139)
Excess of Revenues Over Expenditures	811,900	991,330	179,430
Other Financing Sources			
Interfund transfers in	-	15,500	15,500
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	811,900	1,006,830	194,930
Fund Balances, Beginning of Year	1,651,488	1,651,488	-
Fund Balances, End of Year	$ 2,463,388	$ 2,658,318	$ 194,930

Harris County Municipal Utility District No. 504
Notes to Required Supplementary Information
June 30, 2020

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during the fiscal year ended 2020.

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

Other Information

Harris County Municipal Utility District No. 504
Other Schedules Included Within This Report
June 30, 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 14-27

[X] Schedule of Services and Rates

[X] Schedule of General Fund Expenditures

[X] Schedule of Temporary Investments

[X] Analysis of Taxes Levied and Receivable

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

[X] Changes in Long-term Bonded Debt

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

[X] Board Members, Key Personnel and Consultants

Harris County Municipal Utility District No. 504
Schedule of Services and Rates
Year Ended June 30, 2020

1. Services provided by the District:

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

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

2. Retail service providers

a. Residential rates for a 5/8" meter (or equivalent) per the District's Rate Order dated January 1, 2018:

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels		
Water:	$ 36.50	5,000	N	$ 2.25	5,001	to	10,000
				$ 3.00	10,001	to	20,000
				$ 3.50	20,001	to	No Limit
Wastewater:	$ 30.00	0	Y				

Does the District employ winter averaging for wastewater usage? Yes ___ No X

Total charges per 10,000 gallons usage (including fees): Water $ 47.75 Wastewater $ 30.00

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	1,063	1,060	x1.0	1,060
1"	114	114	x2.5	285
1 1/2"	-	-	x5.0	-
2"	29	29	x8.0	232
3"	2	2	x15.0	30
4"	1	1	x25.0	25
6"	-	-	x50.0	-
8"	1	1	x80.0	80
10"	-	-	x115.0	-
Total water	1,210	1,207		1,712
Total wastewater	1,167	1,164	x1.0	1,164

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

Gallons pumped into the system:	143,430
Gallons billed to customers:	134,269
Water accountability ratio (gallons billed/gallons pumped):	93.61%

*"ESFC" means equivalent single-family connections

Harris County Municipal Utility District No. 504

Schedule of General Fund Expenditures

Year Ended June 30, 2020

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 15,800	
Legal	103,766	
Engineering	52,519	
Financial advisor	-	172,085
Purchased Services for Resale		
Bulk water and wastewater service purchases		861,208
Regional Water Fee		-
Contracted Services		
Bookkeeping	15,900	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	63,779	
Other contracted services	33,785	113,464
Utilities		8,862
Repairs and Maintenance		635,354
Administrative Expenditures		
Directors' fees	13,500	
Office supplies	21,913	
Insurance	11,508	
Other administrative expenditures	21,176	68,097
Capital Outlay		
Capitalized assets	-	
Expenditures not capitalized	-	-
Tap Connection Expenditures		267,435
Lease Payments		-
Solid Waste Disposal		151,734
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		-
Total expenditures		$ 2,278,239

Harris County Municipal Utility District No. 504

Schedule of Temporary Investments

June 30, 2020

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 6002400497	1.80%	03/09/21	$ 240,000	$ 1,338
No. 51204683	2.75%	03/13/21	240,000	1,971
No. 633	1.80%	02/07/21	240,000	1,704
No. 95900011912268	2.75%	02/10/21	240,000	2,604
No. 1852005005	0.75%	04/18/21	246,702	370
No. 36001385	1.10%	05/08/21	246,613	394
TexSTAR	0.20%	Demand	1,028,940	-
			2,482,255	8,381
Debt Service Fund				
Certificates of Deposit				
No. 66000750	0.45%	11/05/20	246,312	164
No. 33503	0.35%	11/08/20	246,564	121
			492,876	285
Capital Projects Fund				
TexSTAR	0.20%	Demand	855,572	0
Totals			$ 3,830,703	$ 8,666

Harris County Municipal Utility District No. 504
Analysis of Taxes Levied and Receivable
Year Ended June 30, 2020

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	$ 7,133	$ 7,031
Additions and corrections to prior years' taxes	128,423	56,940
Adjusted receivable, beginning of year	135,556	63,971
2019 Original Tax Levy	1,382,635	1,667,941
Additions and corrections	288,255	347,736
Adjusted tax levy	1,670,890	2,015,677
Total to be accounted for	1,806,446	2,079,648
Tax collections: Current year	(1,657,449)	(1,999,462)
Prior years	(121,844)	(53,729)
Receivable, end of year	$ 27,153	$ 26,457
Receivable, by Years		
2019	$ 13,441	$ 16,215
2018	7,759	7,649
2017	1,701	1,677
2016	929	916
2015	1,615	-
2014	1,708	-
Receivable, end of year	$ 27,153	$ 26,457

Harris County Municipal Utility District No. 504
Analysis of Taxes Levied and Receivable (Continued)
Year Ended June 30, 2020

	2019	2018	2017	2016
Property Valuations				
Land	$ 95,407,536	$ 64,046,453	$ 47,808,682	$ 33,407,514
Improvements	178,947,807	115,156,085	70,760,819	37,624,487
Personal property	1,965,266	1,863,579	727,829	708,944
Exemptions	(11,100,037)	(15,711,258)	(7,719,434)	(3,460,520)
Total property valuations	$ 265,220,572	$ 165,354,859	$ 111,577,896	$ 68,280,425
Tax Rates per $100 Valuation				
Debt service tax rates	$ 0.7600	$ 0.6900	$ 0.6900	$ 0.6900
Maintenance tax rates*	0.6300	0.7000	0.7000	0.7000
Total tax rates per $100 valuation	$ 1.3900	$ 1.3900	$ 1.3900	$ 1.3900
Tax Levy	$ 3,686,567	$ 2,298,432	$ 1,550,932	$ 949,098
Percent of Taxes Collected to Taxes Levied**	99%	99%	99%	99%

*Maximum tax rate approved by voters: $1.50 on November 5, 2013

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

Harris County Municipal Utility District No. 504

Schedule of Long-Term Debt Service Requirements by Years

June 30, 2020

	Series 2015		
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1, March 1	Total
2021	$ 105,000	$ 193,212	$ 298,212
2022	110,000	190,656	300,656
2023	115,000	187,700	302,700
2024	120,000	184,319	304,319
2025	125,000	180,519	305,519
2026	130,000	176,340	306,340
2027	140,000	171,714	311,714
2028	145,000	166,636	311,636
2029	155,000	161,100	316,100
2030	160,000	155,095	315,095
2031	170,000	148,595	318,595
2032	180,000	141,595	321,595
2033	190,000	134,195	324,195
2034	200,000	126,395	326,395
2035	210,000	118,195	328,195
2036	220,000	109,595	329,595
2037	235,000	100,495	335,495
2038	245,000	90,773	335,773
2039	255,000	80,523	335,523
2040	270,000	69,895	339,895
2041	285,000	58,795	343,795
2042	300,000	46,945	346,945
2043	315,000	34,338	349,338
2044	330,000	21,115	351,115
2045	350,000	7,175	357,175
Totals	$ 5,060,000	$ 3,055,915	$ 8,115,915

Harris County Municipal Utility District No. 504
Schedule of Long-Term Debt Service Requirements by Years (Continued)
June 30, 2020

	Series 2017		
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1, March 1	Total
2021	$ 100,000	$ 165,831	$ 265,831
2022	100,000	163,331	263,331
2023	105,000	160,256	265,256
2024	110,000	157,031	267,031
2025	110,000	153,731	263,731
2026	115,000	150,356	265,356
2027	115,000	146,907	261,907
2028	120,000	143,382	263,382
2029	120,000	139,782	259,782
2030	130,000	135,950	265,950
2031	130,000	131,807	261,807
2032	135,000	127,500	262,500
2033	135,000	123,029	258,029
2034	140,000	117,950	257,950
2035	145,000	112,250	257,250
2036	150,000	106,350	256,350
2037	155,000	100,250	255,250
2038	160,000	93,950	253,950
2039	165,000	87,656	252,656
2040	170,000	81,375	251,375
2041	175,000	74,906	249,906
2042	180,000	68,250	248,250
2043	185,000	61,406	246,406
2044	190,000	54,375	244,375
2045	195,000	47,156	242,156
2046	565,000	32,906	597,906
2047	595,000	11,156	606,156
Totals	$ 4,695,000	$ 2,948,829	$ 7,643,829

Harris County Municipal Utility District No. 504
Schedule of Long-Term Debt Service Requirements by Years (Continued)
June 30, 2020

	Series 2018		
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1, March 1	Total
2021	$ -	$ 415,619	$ 415,619
2022	205,000	409,853	614,853
2023	215,000	398,041	613,041
2024	220,000	385,806	605,806
2025	235,000	373,009	608,009
2026	245,000	359,509	604,509
2027	250,000	345,588	595,588
2028	260,000	331,244	591,244
2029	275,000	317,056	592,056
2030	280,000	305,806	585,806
2031	295,000	296,822	591,822
2032	305,000	287,256	592,256
2033	320,000	277,100	597,100
2034	335,000	266,247	601,247
2035	350,000	254,688	604,688
2036	365,000	242,394	607,394
2037	375,000	229,444	604,444
2038	395,000	215,969	610,969
2039	415,000	201,534	616,534
2040	430,000	186,219	616,219
2041	450,000	170,269	620,269
2042	470,000	153,593	623,593
2043	490,000	136,194	626,194
2044	510,000	117,750	627,750
2045	530,000	98,250	628,250
2046	560,000	77,812	637,812
2047	575,000	56,531	631,531
2048	1,220,000	22,875	1,242,875
Totals	$ 10,575,000	$ 6,932,478	$ 17,507,478

Harris County Municipal Utility District No. 504

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

June 30, 2020

	Series 2019		
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1, March 1	Total
2021	$ -	$ 363,237	$ 363,237
2022	170,000	358,563	528,563
2023	170,000	349,212	519,212
2024	185,000	339,450	524,450
2025	190,000	329,138	519,138
2026	200,000	320,912	520,912
2027	215,000	314,688	529,688
2028	230,000	308,012	538,012
2029	235,000	301,038	536,038
2030	250,000	293,762	543,762
2031	255,000	286,188	541,188
2032	265,000	278,387	543,387
2033	270,000	270,363	540,363
2034	275,000	262,187	537,187
2035	285,000	253,788	538,788
2036	290,000	245,162	535,162
2037	300,000	236,313	536,313
2038	310,000	227,162	537,162
2039	320,000	217,713	537,713
2040	330,000	207,962	537,962
2041	340,000	197,913	537,913
2042	345,000	187,422	532,422
2043	360,000	176,406	536,406
2044	370,000	165,000	535,000
2045	385,000	153,203	538,203
2046	395,000	141,016	536,016
2047	410,000	128,437	538,437
2048	420,000	115,469	535,469
2049	1,705,000	82,265	1,787,265
2050	1,780,000	27,813	1,807,813
Totals	$ 11,255,000	$ 7,138,181	$ 18,393,181

Harris County Municipal Utility District No. 504

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

June 30, 2020

Due During Fiscal Years Ending June 30	Annual Requirements For All Series Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	$ 205,000	$ 1,137,899	$ 1,342,899
2022	585,000	1,122,403	1,707,403
2023	605,000	1,095,209	1,700,209
2024	635,000	1,066,606	1,701,606
2025	660,000	1,036,397	1,696,397
2026	690,000	1,007,117	1,697,117
2027	720,000	978,897	1,698,897
2028	755,000	949,274	1,704,274
2029	785,000	918,976	1,703,976
2030	820,000	890,613	1,710,613
2031	850,000	863,412	1,713,412
2032	885,000	834,738	1,719,738
2033	915,000	804,687	1,719,687
2034	950,000	772,779	1,722,779
2035	990,000	738,921	1,728,921
2036	1,025,000	703,501	1,728,501
2037	1,065,000	666,502	1,731,502
2038	1,110,000	627,854	1,737,854
2039	1,155,000	587,426	1,742,426
2040	1,200,000	545,451	1,745,451
2041	1,250,000	501,883	1,751,883
2042	1,295,000	456,210	1,751,210
2043	1,350,000	408,344	1,758,344
2044	1,400,000	358,240	1,758,240
2045	1,460,000	305,784	1,765,784
2046	1,520,000	251,734	1,771,734
2047	1,580,000	196,124	1,776,124
2048	1,640,000	138,344	1,778,344
2049	1,705,000	82,265	1,787,265
2050	1,780,000	27,813	1,807,813
Totals	$ 31,585,000	$ 20,075,403	$ 51,660,403

Harris County Municipal Utility District No. 504
Changes in Long-term Bonded Debt
Year Ended June 30, 2020

	Bond Issues				
	Series 2015	Series 2017	Series 2018	Series 2019	Totals
Interest rates	2.00% to 4.10%	2.00% to 4.00%	3.125% to 5.625%	3.00% to 5.50%	
Dates interest payable	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1	
Maturity dates	September 1, 2020/2044	September 1, 2020/2046	September 1, 2021/2047	September 1, 2021/2049	
Bonds outstanding, beginning of the current year	$ 5,155,000	$ 4,800,000	$ 10,575,000	$ -	$ 20,530,000
Bonds sold during the current year	-	-	-	11,255,000	11,255,000
Retirements, principal	95,000	105,000	-	-	200,000
Bonds outstanding, end of current year	$ 5,060,000	$ 4,695,000	$ 10,575,000	$ 11,255,000	$ 31,585,000
Interest paid during the current year	$ 195,344	$ 167,881	$ 415,619	$ 242,158	$ 1,021,002

Paying agent's name and address:

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

Bond authority:	Utility Bonds	Park Bonds	Road Bonds	Refunding Bonds
Amount authorized by voters	$ 247,320,000	$ 40,700,000	$ 131,380,000	0
Amount issued	$ 31,880,000	$ -	$ -	0
Remaining to be issued	$ 215,440,000	$ 40,700,000	$ 131,380,000	0

Debt service fund cash and temporary investment balances as of June 30, 2020:	$ 2,221,202
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,722,013

Harris County Municipal Utility District No. 504
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended June 30,

	Amounts				
	2020	2019	2018	2017	2016
General Fund					
Revenues					
Property taxes	$ 1,779,293	$ 1,191,882	$ 784,378	$ 504,698	$ 211,863
Water service	657,937	474,205	276,407	150,254	101,024
Sewer service	352,525	253,271	131,229	59,125	49,370
Penalty and interest	8,119	9,372	6,094	2,858	3,084
Tap connection and inspection fees	429,145	435,747	402,411	234,352	200,574
Investment income	37,805	23,724	6,571	684	74
Other income	4,745	6,801	128,344	28,361	2,769
Total revenues	3,269,569	2,395,002	1,735,434	980,332	568,758
Expenditures					
Service operations:					
Purchased services	861,208	569,689	474,998	263,025	160,837
Professional fees	172,085	146,190	128,055	110,158	137,402
Contracted services	265,198	140,462	83,022	55,777	32,091
Utilities	8,862	7,088	4,911	3,788	2,921
Repairs and maintenance	635,354	495,430	396,403	277,187	274,959
Tap connections	267,435	280,608	287,023	140,503	126,449
Lease payments	-	-	-	-	93,000
Other expenditures	68,097	56,125	45,715	31,451	35,766
Capital outlay	-	-	-	73,600	-
Debt service, debt issuance costs	-	-	27,500	54,158	35,000
Total expenditures	2,278,239	1,695,592	1,447,627	1,009,647	898,425
Excess (Deficiency) of Revenues Over Expenditures	991,330	699,410	287,807	(29,315)	(329,667)
Other Financing Sources					
Interfund transfers in	15,500	107,105	375,165	-	42,817
Developer advances received	-	-	-	200,000	250,000
Total other financing sources	15,500	107,105	375,165	200,000	292,817
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,006,830	806,515	662,972	170,685	(36,850)
Fund Balance, Beginning of Year	1,651,488	844,973	182,001	11,316	48,166
Fund Balance, End of Year	$ 2,658,318	$ 1,651,488	$ 844,973	$ 182,001	$ 11,316
Total Active Retail Water Connections	1,207	884	555	352	213
Total Active Retail Wastewater Connections	1,164	846	535	340	208

*Period from inception to June 30, 2015

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
54.4 %	49.8 %	45.2 %	51.5 %	37.2 %
20.1	19.8	15.9	15.3	17.8
10.8	10.6	7.6	6.0	8.7
0.3	0.4	0.3	0.3	0.5
13.1	18.2	23.2	23.9	35.3
1.2	1.0	0.4	0.1	0.0
0.1	0.2	7.4	2.9	0.5
100.0	100.0	100.0	100.0	100.0
26.3	23.8	27.4	26.8	28.3
5.3	6.1	7.4	11.2	24.2
8.1	5.9	4.8	5.7	5.6
0.3	0.3	0.3	0.4	0.5
19.4	20.7	22.8	28.3	48.3
8.2	11.7	16.5	14.4	22.3
-	-	-	-	16.4
2.1	2.3	2.6	3.2	6.3
-	-	-	7.5	-
-	-	1.6	5.5	6.2
69.7	70.8	83.4	103.0	158.1
30.3 %	29.2 %	16.6 %	(3.0) %	(58.1) %

Harris County Municipal Utility District No. 504

Comparative Schedule of Revenues and Expenditures – Debt Service Fund

Five Years Ended June 30,

	Amounts				
	2020	2019	2018	2017	2016
Debt Service Fund					
Revenues					
Property taxes	$ 2,053,191	$ 1,157,732	$ 773,169	$ 467,057	$ -
Penalty and interest	16,045	9,217	5,601	2,761	2,145
Investment income	14,380	13,170	3,008	856	202
Total revenues	2,083,616	1,180,119	781,778	470,674	2,347
Expenditures					
Current:					
Professional fees	3,471	2,126	1,825	-	-
Contracted services	40,261	28,440	19,627	11,262	6,912
Other expenditures	4,009	3,655	1,784	1,405	1,226
Debt service:					
Principal retirement	200,000	95,000	-	-	-
Interest and fees	1,016,680	706,693	339,812	237,681	750
Total expenditures	1,264,421	835,914	363,048	250,348	8,888
Excess (Deficiency) of Revenues Over Expenditures	819,195	344,205	418,730	220,326	(6,541)
Other Financing Sources					
General obligation bonds issued	-	-	-	-	396,388
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	819,195	344,205	418,730	220,326	389,847
Fund Balance, Beginning of Year	1,373,108	1,028,903	610,173	389,847	-
Fund Balance, End of Year	$ 2,192,303	$ 1,373,108	$ 1,028,903	$ 610,173	$ 389,847

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
98.5 %	98.1 %	98.9 %	99.2 %	- %
0.8	0.8	0.7	0.6	91.4
0.7	1.1	0.4	0.2	8.6
100.0	100.0	100.0	100.0	100.0
0.2	0.2	0.2	-	-
1.9	2.4	2.5	2.4	294.5
0.2	0.3	0.2	0.3	52.2
9.6	8.0	-	-	-
48.8	59.9	43.5	50.5	32.0
60.7	70.8	46.4	53.2	378.7
39.3 %	29.2 %	53.6 %	46.8 %	(278.7) %

Harris County Municipal Utility District No. 504
Board Members, Key Personnel and Consultants
Year Ended June 30, 2020

Complete District mailing address:	Harris County Municipal Utility District No. 504 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027	
District business telephone number:	713.860.6400	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 45.054):		November 7, 2019
Limit on fees of office that a director may receive during a fiscal year:		$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Raul Wong	Elected 05/16-11/20**	$ 5,250	$ 2,728	President
Clayton Weishuhn	Appointed 06/18-05/22	2,250	1,489	Vice President
Lisa Lindley	Elected 05/18-05/22	1,800	861	Secretary
Sharon Mensik	Elected 05/16-11/20**	2,400	1,726	Assistant Vice President
Cathy Simandl	Elected 05/16-11/20**	1,800	1,954	Assistant Secretary

*Fees are the amounts actually paid to a director during the District's fiscal year.
**May 2020 Director election was deferred until November 2020

Harris County Municipal Utility District No. 504
Board Members, Key Personnel and Consultants (Continued)
Year Ended June 30, 2020

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	10/30/12	$ 223,279	General Counsel
		265,529	Bond Counsel
Assessments of the Southwest, Inc.	03/07/13	16,204	Tax Assessor/ Collector
BGE, Inc.	10/30/12	97,937	Engineer
BKD, LLP	06/04/15	46,300	Auditor
Harris County Appraisal District	Legislative Action	25,470	Appraiser
Inframark Services, LLC	09/05/13	685,682	Operator
Myrtle Cruz, Inc.	03/07/13	23,269	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/06/14	2,117	Delinquent Tax Attorney
Rathmann & Associates, L.P.	03/07/13	289,400	Financial Advisor

Investment Officer			
Mary Jarmon	03/07/13	N/A	Bookkeeper

RATHMANN & ASSOCIATES

Financial Advisor to the District