

**OFFICIAL STATEMENT DATED SEPTEMBER 24, 2019**

*In the opinion of Bond Counsel, the Bonds are valid obligations of the District. In the opinion of Special Tax Counsel interest on the Bonds is excludable from gross income for purposes of federal income taxation under statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under "LEGAL MATTERS" herein. See "LEGAL MATTERS" herein for a discussion of the opinions of Bond Counsel and Special Tax Counsel.*

*THE DISTRICT HAS DESIGNATED THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "LEGAL MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS" HEREIN.*

**NEW ISSUE-Book-Entry-Only**

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

**\$2,245,000**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
*(A political subdivision of the State of Texas located within Harris County)*  
**WATERWORKS AND SEWER SYSTEM COMBINATION**  
**UNLIMITED TAX AND REVENUE REFUNDING BONDS**  
**SERIES 2019**

The bonds described above are obligations solely of Harris County Municipal Utility District No. 24 (the "District") and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District.

**Interest Accrues:**

**Current Interest Bonds – October 1, 2019**

**Premium Compound Interest Bonds - Date of Delivery**

**Due: March 1, as shown on inside cover**

The bonds described above will be issued as both Current Interest Bonds and Premium Compound Interest Bonds (collectively, the "Bonds") in fully registered form only. The Current Interest Bonds will be issued in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. Principal of the Current Interest Bonds will be payable at stated maturity or earlier redemption. Interest on the Current Interest Bonds accrues from October 1, 2019, and is payable on March 1, 2020, and on each September 1 and March 1 thereafter until the earlier of stated maturity or prior redemption. The Current Interest Bonds maturing on and after March 1, 2026 are subject to redemption prior to their maturity dates on March 1, 2025 or any date thereafter. The Premium Compound Interest Bonds will be issued in the denomination of \$5,000 maturity amounts, or integral multiples thereof, including both principal and interest. Interest on the Premium Compound Interest Bonds will accrete from the date of delivery and will be compounded semiannually on March 1 and September 1 of each year commencing March 1, 2020. Compounded interest and principal on the Premium Compound Interest Bonds will be paid only at maturity. The Premium Compound Interest Bonds are not subject to redemption prior to maturity. See "APPENDIX C—Accreted Values of Premium Compound Interest Bonds" for accreted value thereof on each compounding date through maturity. Interest on the Bonds accrues on the basis of a 360-day year comprised of twelve 30 day months.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent 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." The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas.



The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.** See "MUNICIPAL BOND INSURANCE" herein.

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See "**Principal Amounts, Maturities, Interest Rates and Initial Reoffering Yields**" on the inside cover.

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The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law and from Net Revenues, if any, derived from operation of the District's system, all to the extent and subject to the conditions described below. **THE BONDS AND THE ISSUANCE THEREOF ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN.** See "INVESTMENT CONSIDERATIONS."

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Strawn & Richardson, P.C., Houston, Texas, Bond Counsel and by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel. Certain other legal matters will be passed upon, on behalf of the Underwriter, by McCall, Parkhurst & Horton L.L.P., Houston, Texas. Delivery of the Bonds through DTC is expected on or about October 29, 2019.

**SAMCO CAPITAL**

**PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS**

**\$2,240,000 Current Interest Bonds**

<u>Due</u> <u>(March 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>		<u>Initial</u> <u>Reoffering</u> <u>Yield (a)</u>		<u>CUSIP</u> <u>Number (b)</u>
2020	\$ 30,000	3.00	%	1.47	%	413934 KY5
2021	20,000	3.00		1.50		413934 KZ2
2022	155,000	3.00		1.56		413934 LA6
2023	240,000	3.00		1.62		413934 LB4
2024	425,000	3.00		1.68		413934 LC2
2025	430,000	3.00		1.80		413934 LD0
2026	225,000 (c)	2.00		1.95		413934 LE8
2027	230,000 (c)	2.00		2.05		413934 LF5
2028	240,000 (c)	2.00		2.17		413934 LG3
2029	245,000 (c)	2.00		2.32		413934 LH1

**\$5,000 Premium Compound Interest Bonds**

<u>Due</u> <u>(March 1)</u>	<u>Original</u> <u>Principal</u> <u>Amount</u>	<u>Offering Price</u> <u>Per \$5,000</u> <u>Maturity Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Reoffering</u> <u>Yield (a)</u>	<u>Total</u> <u>Payment at</u> <u>Maturity</u>	<u>CUSIP</u> <u>Number (b)</u>
2022	\$ 5,000	1,631.728	%	1.76	% \$ 85,000	413934 LJ7

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Underwriter (as herein defined) for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity. Accrued interest on the Current Interest Bonds from October 1, 2019, is to be added to the price.
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Current Interest Bonds maturing on and after March 1, 2026, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on March 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions." The Premium Compound Interest Bonds are not subject to redemption.

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### USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Strawn & Richardson, P.C., 6750 West Loop South, Suite 865, Bellaire, Texas 77401, upon payment of the costs of duplication.

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

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

## OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information and financial statements contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this OFFICIAL STATEMENT. The summary should not be detached and should be used only in conjunction with more complete information contained herein.

### THE DISTRICT

*Description*.....The District is a political subdivision of the State of Texas, created by order of the Texas Water Rights Commission, predecessor to the Texas Commission on Environmental Quality (the “Commission”), on December 12, 1972 and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 1,138 acres of land. See “THE DISTRICT—General.”

*Location* .....The District is located approximately 25 miles northwest of the central downtown business district of the City of Houston and approximately five miles west of the intersection of Louetta Road and Interstate Highway 45. Access to the District is provided by Stuebner-Airline Boulevard and Louetta Road. The District lies wholly within the boundaries of the Klein Independent School District and is within the extraterritorial jurisdiction of the City of Houston. See “THE DISTRICT—Description and Location.”

#### *Recent Extreme Weather*

*Events, Hurricane Harvey*.....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 has experienced four 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.

To the best knowledge of the District, water and wastewater service to the District was not interrupted due to Hurricane Harvey. Further, the District did not receive any reports of any improvements within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

*Status of Development*.....Water, sanitary sewer and drainage facilities have been constructed to serve approximately 1,138 acres of land in the District. Of such acreage, approximately 899 acres have been developed for single family residential purposes (collectively 3,175 lots), approximately 57 acres have been developed for multifamily purposes, and approximately 100 acres have been developed for commercial purposes. In addition, the District also has approximately 55 acres of land in easements and rights-of-way, and approximately 27 acres of developable but undeveloped land which are not served with underground utilities.

As of July 24, 2019, the District contained 3,015 occupied single-family connections, 10 builder connections, 35 vacant single-family connections and 41 out of district single family connections.

Multifamily development in the District includes six apartment projects containing approximately 1,009 apartment units. According to property management of the various apartment communities, the average occupancy rate is approximately 96%.

The District has approximately 87 commercial customers (four of which are out-of- District), including a grocery store, five shopping centers, a not-for-profit emergency medical system education center, five fast food restaurants, five restaurants, two banks, a self-storage center, a car wash, two car care centers, four convenience stores and other retail and service establishments. See “THE DISTRICT—Status of Development.”

- The Developer* .....HAR Asset Management, Ltd. A Texas limited partnership, (“HAR”) is currently developing approximately 25 acres as Klein Grove, a single-family residential community in the District. See “THE DEVELOPER.”
- Homebuilder* .....HAR has entered into a lot sales contract with Historymaker Homes to build homes in Klein Grove. New home sale prices range from approximately \$215,000 to \$270,000 in Klein Grove. See “THE DISTRICT—Homebuilder.”
- Payment Record* .....The District has previously issued twenty series of waterworks and sewer system combination unlimited tax and revenue bonds (including six series of refunding bonds), of which an aggregate principal amount of \$13,655,000 was outstanding as of September 1, 2019. The previously issued and outstanding bonds are referred to collectively herein as the “Outstanding Bonds.” The District has never defaulted in the timely payment of debt service on its previously issued bonds. See “PLAN OF FINANCING—Outstanding Bonds.”

## THE BONDS

- The Issuer* .....Harris County Municipal Utility District No. 24 (the “District”), a political subdivision of the State of Texas, is located in Harris County, Texas. See “THE DISTRICT.”
- The Issue* .....\$2,245,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2019 (the “Bonds”) are issued pursuant to an order (the “Bond Order”) of the District’s Board of Directors. The Current Interest Bonds will be issued as fully registered serial bonds in the aggregate principal amount of \$2,240,000. Interest on the Current Interest Bonds accrues from October 1, 2019, and is payable on March 1, 2020, and on each September 1 and March 1 thereafter until the earlier of maturity or prior redemption. The Premium Compound Interest Bonds will be issued as fully registered bonds in the aggregate principal amount of \$5,000 in denominations which result in total amounts due at maturity equal to \$5,000 or integral multiples thereof (including both accreted principal and compounded interest). Interest on the Premium Compound Interest Bonds accretes from the date of delivery and is compounded on March 1 and September 1 of each year until maturity, commencing March 1, 2020. See “THE BONDS” and “APPENDIX C—Accreted Values of Premium Compound Interest Bonds.”

The Current Interest Bonds maturing on and after March 1, 2026, are subject to redemption, in whole or from time to time in part, at the option of the District, prior to their maturity dates, on March 1, 2025, or any date thereafter. Upon redemption, the Current Interest Bonds will be payable at a price of par plus accrued interest to the date of the redemption. The Premium Compound Interest Bonds are not subject to redemption prior to maturity. 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”.
- Use of Proceeds* .....Proceeds from the sale of the Bonds, together with other lawfully available District funds, will be used to refund and defease \$2,245,000 principal amount of the District’s Outstanding Bonds in order to achieve net present value savings in the District’s annual debt service expense. The bonds to be refunded and discharged with Bond proceeds are referred to herein as the “Refunded Bonds.” Bond proceeds will also be used to pay certain costs associated with issuance of the Bonds, including the payment of any insurance premium. See “PLAN OF FINANCING—Refunded Bonds” and “—Sources and Uses of Funds.”

*Source of Payment*.....Principal of and interest on the Bonds are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law and from Net Revenues, if any, derived from operation of the District’s system and are further payable from a pledge of and lien on certain Net Revenues, as defined in the Bond Order, if any, of the District’s waterworks and sanitary sewer system. The Bonds are obligations 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. See “THE BONDS—Source of Payment.”

*Municipal Bond Insurance and Municipal Bond Rating* .....It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) will assign a municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”). Moody’s Investors Service has also assigned an underlying rating of “A1” to the Bonds. An explanation of their ratings may be obtained from S&P or Moody’s. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

*Qualified Tax-Exempt Obligations*.....The Bonds are designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986. See “LEGAL MATTERS—Qualified Tax-Exempt Obligations for Financial Institutions.”

*Bond Counsel* .....Strawn & Richardson, P.C., Bond Counsel, Bellaire, Texas.

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

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

*Financial Advisor*.....Masterson Advisors LLC, Houston, Texas.

*Verification Agent* .....Public Finance Partners LLC, Rockford, Minnesota.

*Paying Agent/Registrar*.....The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

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

**SELECTED FINANCIAL INFORMATION (UNAUDITED)**

2019 Taxable Assessed Valuation .....	\$837,716,092 (a)
Gross Direct Debt Outstanding.....	\$13,655,000 (b)
Estimated Overlapping Debt .....	<u>45,581,080 (c)</u>
Gross Direct Debt and Estimated Overlapping Debt .....	\$59,236,080
Ratio of Gross Direct Debt to:	
2019 Taxable Assessed Valuation .....	1.63%
Ratio of Gross Direct Debt and Overlapping Debt to:	
2019 Taxable Assessed Valuation .....	7.07%
Average percentage of tax collections (2014-2018).....	99.70%
2019 Debt Service Tax Rate .....	\$0.25
2019 Maintenance Tax Rate.....	<u>0.20</u>
2019 Total Tax Rate .....	\$0.45
Average Annual Debt Service Requirement (2020-2030) .....	\$1,399,931 (d)
Maximum Annual Debt Service Requirement (2020) .....	\$2,071,252 (d)
Tax Rate Required to Pay Average Annual Debt Service (2020-2030) at a 95% Collection Rate Based upon 2019 Taxable Assessed Valuation .....	\$0.18 /\$100 A.V.
Tax Rate Required to Pay Maximum Annual Debt Service (2020) at a 95% Collection Rate Based upon 2019 Taxable Assessed Valuation .....	\$0.27 /\$100 A.V.
Water and Sewer Connections as of July 24, 2019:	
Single family residential - occupied.....	3,015
Single family residential - vacant.....	35
Single family residential - builder.....	10
Multifamily Residential (1,009 units).....	11
Kleinwood (out-of-District residential) .....	41
Commerical.....	87
Commercial (out-of-District) .....	4
Other.....	<u>69</u>
Total .....	3,272
Estimated 2019 Population.....	12,571 (e)

- (a) The Harris County Appraisal District (the "Appraisal District") has certified \$762,995,569 of taxable value and an additional \$74,720,523 of taxable value remains uncertified. The uncertified value is the landowner's opinion of the value; however, such value is subject to review and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See "TAX PROCEDURES."
- (b) Includes the Bonds, excludes the Refunded Bonds. See "PLAN OF FINANCING—Outstanding Bonds."
- (c) See "ESTIMATED OVERLAPPING DEBT AND TAX RATES."
- (d) See "DEBT SERVICE REQUIREMENTS."
- (e) Based upon 3.5 persons per occupied residence and 2.0 persons per apartment unit.

**OFFICIAL STATEMENT**

**\$2,245,000**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
*(A political subdivision of the State of Texas located within Harris County)*

**WATERWORKS AND SEWER SYSTEM COMBINATION  
UNLIMITED TAX AND REVENUE REFUNDING BONDS, SERIES 2019**

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 24 (the “District”) of its \$2,245,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2019 (herein defined as the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, City of Houston Ordinance No. 97-416, and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”). See “THE BONDS—Authority for Issuance.”

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Strawn & Richardson, P.C., Bond Counsel for the District, 6750 West Loop South, Suite 865, Bellaire, Texas 77401 upon payment of the costs of duplication.

**PLAN OF FINANCING**

**Purpose**

The District currently has \$13,655,000 principal amount of its bonds outstanding (the “Outstanding Bonds”). The proceeds of the Bonds will be used to refund and defease portions of the Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2008 and Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011, totaling \$2,245,000 principal amount ( the “Refunded Bonds”) in order to achieve a net present value savings in the District’s debt service expense. The proceeds will also be used to pay the costs of issuance of the Bonds. See “Sources and Uses of Funds.” A total of \$11,410,000 principal amount of the District’s Outstanding Bonds will remain outstanding after the issuance of the Bonds (the “Remaining Outstanding Bonds”). See “—Sources and Uses of Funds” herein and “FINANCIAL STATEMENT—Outstanding Bonds.”

**Refunded Bonds**

Proceeds of the Bonds will be applied to refund and defease \$2,245,000 principal amount of the Refunded Bonds and to pay certain costs of issuing the Bonds. The principal amounts and maturity dates of the Refunded Bonds are set forth below:

Maturity Date	Series	Series
March 1	2008	2011
2022	\$ 225,000 (a)	\$ -
2023	225,000 (a)	-
2024	225,000 (b)	190,000 (c)
2025	225,000 (b)	200,000 (c)
2026	-	220,000 (d)
2027	-	230,000 (d)
2028	-	245,000 (e)
2029	-	260,000 (e)
	\$ 900,000	\$ 1,345,000

Redemption Date:            10/31/2019            10/31/2019

- (a) Represents sinking fund payments on term bonds in the total principal amount of \$450,000, scheduled to mature on March 1, 2023.
- (b) Represents sinking fund payments on term bonds in the total principal amount of \$450,000, scheduled to mature on March 1, 2025.
- (c) Represents sinking fund payments on term bonds in the total principal amount of \$390,000, scheduled to mature on March 1, 2025.
- (d) Represents sinking fund payments on term bonds in the total principal amount of \$450,000, scheduled to mature on March 1, 2027.
- (e) Represents sinking fund payments on term bonds in the total principal amount of \$505,000, scheduled to mature on March 1, 2029.

**Deposit Account**

The Refunded Bonds and the interest due thereon, are to be paid on the redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as Paying Agent for the Refunded Bonds.

The Bond Order provides that from the proceeds of the sale of the Bonds, the District will deposit with the Paying Agent for the Refunded Bonds the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Paying Agent for the Refunded Bonds in a segregated Deposit account (the "Deposit Account"). At the time of delivery of the Bonds, Public Finance Partners LLC, will verify to the District, the Paying Agent for the Refunded Bonds, Bond Counsel, Special Tax Counsel, and the Financial Advisor that the monies held in the Deposit Account are sufficient to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS." By the deposit of the cash with the Paying Agent for the Refunded Bonds and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior orders of the District authorizing issuance of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of the amounts so deposited, and the amounts so deposited in the Deposit Account will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

**Sources and Uses of Funds**

The proceeds derived from the sale of the Bonds will be applied as follows:

Sources of Funds:

Principal Amount of the Bonds.....	\$2,245,000.00
Premium on Premium Compound Interest Bonds .....	76,586.40
Net Premium on Current Interest Bonds .....	56,012.90
Accrued Interest. ....	<u>4,495.56</u>
Total Sources of Funds .....	\$2,382,094.86

Uses of Funds:

Deposit to Deposit Account.....	\$2,260,377.09
Issuance Expenses and Underwriter's Discount (a).....	117,222.21
Accrued Interest. ....	<u>4,495.56</u>
Total Uses of Funds .....	\$2,382,094.86

(a) Includes municipal bond insurance premium.

## DEBT SERVICE REQUIREMENTS

The following table sets forth the actual debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$2,245,000 principal amount), plus the Bonds.

Year	Outstanding Bonds	Less: Debt	Plus: Debt Service on the Bonds			Total
	Debt Service Requirements	Service on the Refunded Bonds	Principal	Interest	Total	Debt Service Requirements
2020	\$ 2,080,981	\$ 92,263	\$ 30,000	\$ 52,533	\$ 82,533	\$ 2,071,252
2021	2,037,056	92,263	20,000	56,600	76,600	2,021,394
2022	1,991,966	312,650	160,000	133,975	293,975	1,973,291
2023	1,943,653	303,425	240,000	48,050	288,050	1,928,278
2024	1,889,200	480,463	425,000	38,075	463,075	1,871,813
2025	1,834,431	473,569	430,000	25,250	455,250	1,816,113
2026	845,844	255,488	225,000	16,550	241,550	831,906
2027	832,781	256,206	230,000	12,000	242,000	818,575
2028	798,331	261,256	240,000	7,300	247,300	784,375
2029	787,850	265,525	245,000	2,450	247,450	769,775
2030	512,475	-	-	-	-	512,475
<b>Total</b>	<b>\$ 15,554,569</b>	<b>\$ 2,793,106</b>	<b>\$2,245,000</b>	<b>\$ 392,783</b>	<b>\$2,637,783</b>	<b>\$ 15,399,246</b>

Maximum Annual Debt Service Requirement (2020) ..... \$2,071,252  
Average Annual Debt Service Requirement (2020-2030) ..... \$1,399,931

## THE BONDS

### **General**

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

### **Method of Payment of Principal and Interest**

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

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

### **Book-Entry-Only System**

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" by S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://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.

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

#### **Use of Certain Terms in Other Sections of this Official Statement**

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

#### **Registration and Transfer**

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the Bond Order. While the Bonds are in the Book-Entry-Only system, Bonds will be registered only in the name of Cede & Co and held by DTC. See "Book-Entry-Only System."

### **Lost, Stolen or Destroyed Bonds**

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered owners of lost, stolen or destroyed Bonds will be required to pay the District's costs to replace such Bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas. In the Bond Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid, and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

### **Redemption Provisions**

The District reserves the right, at its option, to redeem the Current Interest Bonds maturing on or after March 1, 2026, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 on March 1, 2025, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. The Premium Compound Interest Bonds are not subject to redemption prior to maturity. If fewer than all of the Current Interest Bonds are redeemed at any time, the maturities of the Current Interest Bonds to be redeemed will be selected by the District. If fewer than all the Current Interest Bonds of a certain maturity are to be redeemed, the particular Current Interest Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other method of random selection (or by DTC in accordance with its procedures while the Current Interest Bonds are in book-entry-only form).

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

The Premium Compound Interest Bonds are not subject to redemption prior to stated maturity.

### **Source of Payment**

While the Bonds or any part of the principal thereof or interest thereon remains outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are further payable from and secured by a pledge of and lien on certain Net Revenues, if any, of the District's water and sewer system (the "System"). Net Revenues are defined by the Bond Order as all income that is derived from the ownership and operation of the District's System as the same is purchased, constructed or otherwise acquired, which remains after deducting the operation and maintenance expenses of the System, but not including income derived from contracts that are pledged for payment of any special project bonds that may be issued. It is not expected that the Net Revenues will ever be sufficient to contribute to debt service payments.

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

## **Funds**

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

Accrued interest on the Current Interest Bonds will be deposited into the Debt Service Fund upon receipt. Any monies remaining after the deposit into the Deposit Account and payment of issuance costs will be deposited into the Debt Service Fund.

## **Authority for Issuance**

The Bonds are issued by the District pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended Chapter 1207 of the Texas Government Code, as amended, City of Houston Ordinance No. 97-416, and the Bond Order adopted by the Board of Directors of the District. Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of the Bonds. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT. See "LEGAL MATTERS—Legal Proceedings."

## **No Arbitrage**

The District will certify as of the date the Bonds are delivered and paid for 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 in the Bond Order 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.

## **Issuance of Additional Debt**

The District may issue additional bonds, with the approval of the Texas Commission on Environmental Quality (the "Commission"), necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT— General." The District's voters have authorized the issuance of \$57,120,000 of waterworks and sewer system combination unlimited tax and revenue bonds and could authorize additional amounts. Any additional bonds sold may be on a parity with the Bonds. The District has \$11,975,000 principal amount of waterworks and sewer system combination unlimited tax and revenue bonds authorized but unissued. The District has entered into development financing agreements with developers within the District, which provide for the developers to fund certain water, sewer, and drainage costs until the District sells its bonds to pay such costs.

The Bond Order imposes no limitation on the amount of additional bonds payable from the same source which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "INVESTMENT CONSIDERATIONS—Future Debt."

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

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) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park project and bonds by the Commission; and (d) 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. The Board has not considered calling a park bond election at this time.

Issuance of additional bonds or other subsequently authorized bonds could affect the investment quality or security of the Bonds. See "INVESTMENT CONSIDERATIONS—Future Debt."

## **Defeasance**

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

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

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

## **Annexation**

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation.

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.

## **Consolidation**

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

## **Strategic Partnership Agreement**

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 services 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 to be 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 one or more other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District, although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

## **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.

### **Amendments**

The District has reserved the right to amend the Bond Order without the consent of the Registered Owners as may be required (a) by the provisions of the Bond Order, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission in the Bond Order, or (c) in connection with any other change not to the prejudice of the Registered Owners, but the District may not otherwise amend the terms of the Bonds or of the Bond Order without the consent of the Registered Owners.

### **Registered Owners' Remedies**

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

## **THE DISTRICT**

### **General**

The District is a conservation and reclamation district created by order of the Texas Water Rights Commission (predecessor to the Commission) on December 12, 1972, in accordance with the provisions of Article XVI, Section 59 of the Texas Constitution, and operates as a municipal utility district pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 1,138 acres of land.

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

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

## **Description and Location**

The District is located approximately 25 miles northwest of the central downtown business district of the City of Houston and approximately five miles west of the intersection of Louetta Road and Interstate Highway 45. Access to the District is provided by Stuebner- Airline Boulevard and Louetta Road. The District lies wholly within the boundaries of the Klein Independent School District and is within the extraterritorial jurisdiction of the City of Houston.

## **Status of Development**

Water, sanitary sewer and drainage facilities have been constructed to serve approximately 1,138 acres of land in the District. Of such acreage, approximately 899 acres have been developed for single family residential purposes (collectively 3,175 lots), approximately 57 acres have been developed for multifamily purposes, and approximately 100 acres have been developed for commercial purposes. In addition, the District also has approximately 55 acres of land in easements and rights-of-way, and approximately 27 acres of developable but undeveloped land which are not served with underground utilities.

As of July 24, 2019, the District contained 3,015 occupied single family connections, 10 builder connections, 35 vacant single family connections and 41 out of district single family connections.

Multifamily development in the District includes six apartment projects containing approximately 1,009 apartment units. According to property management of the various apartment communities, the average occupancy rate is approximately 96%.

The District has approximately 87 commercial customers (four of which are out-of- District), including a grocery store, five shopping centers, a not-for-profit emergency medical system education center, five fast food restaurants, five restaurants, two banks, a self-storage center, a car wash, two car care centers, four convenience stores and other retail and service establishments.

## **Homebuilder**

Historymaker Homes is building homes in Klein Grove. New home sale prices range from approximately \$215,000 to \$270,000 in Klein Grove.

## **MANAGEMENT**

### **Directors and Officers**

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four year terms, and director elections are held in November in even numbered years. The Directors and Officers of the District, all of whom reside within the District, together with their titles and terms are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis L. Cormier	President	November 2020
Ruben Gonzales, Jr.	Vice President	November 2020
Peggy A. Winters	Secretary	November 2022
Rick C. Corbin	Assistant Secretary	November 2020
Marcia Fitzpatrick	Assistant Secretary	November 2022

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

### **Tax Appraisal**

Land and improvements within the District are appraised for ad valorem taxation purposes by the Harris County Appraisal District.

### **Tax Assessor/Collector**

Land and improvements within the District were appraised for ad valorem taxation purposes by the Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District. Equi-Tax, Inc. is currently serving in this capacity for the District.

### **Bookkeeper**

The District contracts with ETI Bookkeeping Services for bookkeeping services.

### **System Operator**

The District contracts with Hays Utility South Corporation (“Hays”) for maintenance and operation of the District's System.

### **Engineer**

The consulting engineer for the District in connection with the review of design and construction of the District's facilities is Eby Engineers, Inc. (“Engineer”).

### **Auditor**

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audit is filed with the Commission. The District's audited financial statements for the year ended December 31, 2018, were prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See APPENDIX A for a copy of the District's December 31, 2018, audited financial statements.

### **Financial Advisor**

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

### **Bond Counsel/Attorney**

The District employs Strawn & Richardson, P.C. as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

### **Special Tax Counsel:**

McCall, Parkhurst & Horton L.L.P., Dallas, Texas serves as Special Tax Counsel to the District. The fees to be paid to Special Tax Counsel for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds.

## **THE DEVELOPER**

### **Role of a Developer**

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the Commission to pave streets in areas where utilities are to be financed by a district through a specified bond issue, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Prospective Bond purchasers should note that the prior real estate experience of the Developer should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. See “INVESTMENT CONSIDERATIONS.”

### **The Developer**

HAR Asset Management, Ltd., a Texas limited partnership, (“HAR”) is currently developing approximately 25 acres as Klein Grove, a single-family residential community, in the District, pursuant to a developer financing agreement. HAR does not own any additional undeveloped acreage in the District.

## THE SYSTEM

### **Regulation**

According to the Engineer, the District's water, sanitary sewer and drainage improvements (the "System") have been designed and the corresponding plans prepared in accordance with accepted engineering practices and specifications and the approval and permitting requirements of the Texas Department of Health, the Texas Commission on Environmental Quality, Harris County, the City of Houston, Harris County Flood Control District, and the Harris-Galveston Subsidence District, where applicable. Each of the aforementioned agencies exercises continuing jurisdiction over the District's facilities.

### **Source of Water Supply**

Water supply for the District consists of surface water provided by North Harris County Regional Water Authority (the "Authority") and groundwater provided by the District's two water plants. Water Plant No. 1 consists of a 1,000 gpm well, a 500,000 gallon ground storage tank, 30,000 gallons of pressure tank capacity, 2,290 gallons per minute ("gpm") of booster pump capacity and related appurtenances. Water Plant No. 2 consists of two wells (a 1,000 gpm well and a 1,500 gpm well), 961,500 gallons of ground storage tank capacity, 60,000 gallons of pressure tank capacity, 5,100 gpm of booster pump capacity and related appurtenances. The District's water supply facilities also include a 500,000 gallon elevated storage tank. According to the District's Engineer, the District has sufficient water production capacity to serve 4,376 equivalent single family connections and is currently serving approximately 4,257 equivalent single family connections.

In 2010, the District began receiving surface water from the Authority as the area within the Authority, including the District, converts to surface water according to the Authority Groundwater Reduction Plan. The District's Engineer anticipates that the District will continue to receive sufficient surface water from Authority to meet the majority of demand in the winter months and will supplement from its wells in the summer months or in case of emergency.

The District has emergency water interconnects with Cypress Klein Utility District, Spring Creek Forest Public Utility District, and Northwest Harris County Municipal Utility District No. 30.

### **Subsidence and Conversion to Surface Water Supply**

Conversion to Surface Water: The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in areas within the Subsidence District's jurisdiction. In 1999, the Texas legislature created the Authority to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Harris County (including the District). The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The District is included within the Authority's GRP, and the District's wells are now permitted in aggregate with other wells within the Authority. The District began purchasing surface water from the Authority in 2011.

The Authority has the power to issue debt supported by the revenues pledged for the payment of its obligations and may establish fees, rates, and charges as necessary to accomplish its purposes. The Authority currently charges the District, and other major groundwater users, a fee of \$3.85 per 1,000 gallons of groundwater pumped and \$4.30 for surface water received. These fees are subject to increase in the future. The Authority has issued revenue bonds to fund, among other things, certain Authority surface water project costs, including the construction of a network of transmission and distribution lines, storage tanks and pumping stations to transport and distribute water within the Authority (the "Authority System"). It is expected that the Authority will issue substantially more bonds by the year 2035 to finance the Authority's project costs.

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) limit groundwater withdrawals to no more than 70% of the total annual water demand within the Authority's GRP beginning in 2010; (ii) limit groundwater withdrawals to no more than 40% of the total annual water demand within the Authority's GRP beginning in 2025; and (iii) limit groundwater withdrawals to no more than 20% of the total water demand within the Authority's GRP beginning in 2035. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a \$9.00 per 1,000 gallons disincentive fee penalty ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total annual water demand within the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. Groundwater pumped from wells located within the Authority is not currently subject to the Disincentive Fee. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely seek monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the need to continue passing such fees through to its customers resulting in higher water rates. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

### **Source of Wastewater Treatment**

Wastewater treatment is provided by the District's existing two million gallon per day wastewater treatment plant which provides capacity to serve approximately 6,349 equivalent single-family connections. According to the District's Engineer, the District is currently serving 4,257 equivalent single-family connections.

### **100-Year Flood Plain**

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

According to the Engineer, approximately 81 acres in the District are shown to be within the 100-year flood plain as shown on the current FEMA Flood Insurance Rate Map for the area. This acreage includes approximately 20 acres in Shannon Forest subdivision and approximately 10 acres in Oakwood Glen West, Section 2 subdivision. The majority of the remaining floodplain is located in the undevelopable acreage of the District in drainage channels and detention ponds.

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## FINANCIAL STATEMENT

2019 Taxable Assessed Valuation .....	\$837,716,092 (a)
District Debt	
Outstanding Bonds (after the issuance of the Bonds).....	\$13,655,000
Ratio of Gross Debt to:	
2019 Taxable Assessed Valuation.....	1.63%

Area of District – 1,138 Acres  
Estimated 2019 population – 12,571 (b)

- (a) The Harris County Appraisal District (the “Appraisal District”) has certified \$762,995,569 of taxable value and an additional \$74,720,523 of taxable value remains uncertified. The uncertified value is the landowner’s opinion of the value; however, such value is subject to review and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See “TAX PROCEDURES.”
- (b) Based upon 3.5 persons per occupied residence and 2.0 persons per apartment unit.

**Cash and Investment Balances** (unaudited as of August 31, 2019)

Debt Service Fund Balance as of August 31, 2019 .....	\$1,053,245 (a)
Operating Fund Balance as of August 31, 2019 .....	\$5,363,880

- (a) Under Texas law and the Bond Order, the District is not required to maintain a particular balance in such fund.

**Investment Policies and Procedures**

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District’s goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District are invested in short-term obligations of the U.S. Treasury and federal agencies, certificates of deposit insured by the Federal Deposit Insurance Corporation (“FDIC”) or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own or intend to purchase long-term securities or derivative products.

**Outstanding Bonds**

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

Series	Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds	Remaining Outstanding Bonds
2008	\$ 3,600,000	\$ 1,350,000	\$ 900,000	\$ 450,000
2011	2,880,000	2,025,000	1,345,000	680,000
2013 (a)	7,260,000	4,425,000	-	4,425,000
2015	5,465,000	4,665,000	-	4,665,000
2016	1,490,000	1,190,000	-	1,190,000
Total	\$ 20,695,000	\$ 13,655,000	\$ 2,245,000	\$ 11,410,000
The Bonds				2,245,000
The Bonds and Remaining Outstanding Bonds				\$ 13,655,000

- (a) Unlimited tax and revenue refunding bonds.

## ESTIMATED OVERLAPPING DEBT AND TAX RATES

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Klein Independent School District.....	\$ 1,140,815,000	7/31/2019	3.42%	\$ 39,015,873
Harris County.....	2,050,758,022	7/31/2019	0.15%	3,076,137
Harris County Flood Control District.....	83,075,000	7/31/2019	0.15%	124,613
Harris County Hospital District.....	57,300,000	7/31/2019	0.15%	85,950
Lone Star College System.....	609,845,000	7/31/2019	0.39%	2,378,396
Harris County Department of Education.....	6,320,000	7/31/2019	0.15%	9,480
Port of Houston Authority.....	593,754,397	7/31/2019	0.15%	890,632
Total Estimated Overlapping Debt.....				\$ 45,581,080
The District.....	13,655,000 (a)	Current	100.00%	13,655,000
Total Direct and Estimated Overlapping Debt.....				\$ 59,236,080
Ratio of Estimated Direct and Overlapping Debt to 2019 Taxable Assessed Valuation.....				7.07%

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

**Overlapping Taxes for 2018**

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District’s tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see “ESTIMATED OVERLAPPING DEBT AND TAX RATES” herein), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the tax rates levied within the District for the 2018 tax year by all taxing jurisdictions, and the 2019 tax rate levied by the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy or charges imposed by entities other than political subdivisions.

	2018 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority).....	\$ 0.63517
Lone Star College System.....	0.10780
Harris County ESD No. 11.....	0.03606
Harris County ESD No. 16.....	0.04957
Klein Independent School District.....	<u>1.43000</u>
Total Overlapping Tax Rate.....	\$ 2.25860
The District.....	<u>0.45000</u>
Total Tax Rate.....	\$ 2.70860

**TAX DATA**

**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 vote of the District's electors. On August 11, 1979, the Board was authorized to levy such a maintenance tax at an unlimited rate. Such tax, if levied, would be in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds, the Bonds, and any additional tax bonds which may be issued in the future. The District levied a maintenance tax for 2019 in the amount of \$0.20 per \$100 assessed valuation.

**Tax Rate Distribution**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Debt Service	\$ 0.250	\$ 0.260	\$ 0.270	\$ 0.300	\$ 0.320
Maintenance and Operations	<u>0.200</u>	<u>0.190</u>	<u>0.190</u>	<u>0.210</u>	<u>0.220</u>
Total	\$ 0.450	\$ 0.450	\$ 0.460	\$ 0.510	\$ 0.540

## Tax Collections

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

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of August 31, 2019 (a)	
				Amount	Percent
2014	\$ 548,951,807	\$ 0.570	\$ 3,159,652	\$ 3,156,908	99.91%
2015	642,233,206	0.540	3,469,046	3,464,202	99.86%
2016	739,364,910	0.510	3,771,550	3,767,283	99.89%
2017	783,844,069	0.460	3,605,798	3,598,594	99.80%
2018	801,598,328	0.450	3,603,645	3,582,628	99.42%

(a) Unaudited.

Taxes are due October 1 (or when billed, if later) and become delinquent after January 31 of the following year. No split payments are allowed and no discounts are allowed.

## Summary of Assessed Valuation

The following summaries of the 2018, 2017 and 2016 Certified Taxable Assessed Valuations are provided by the District's Tax Assessor/Collector based on information contained in the respective tax rolls of the District. Totals may vary slightly from totals elsewhere in this OFFICIAL STATEMENT due to differences in dates of data. A breakdown of the 2019 Taxable Assessed Valuation is not available at this time.

	2018 Certified Taxable Assessed Valuation	2017 Certified Taxable Assessed Valuation	2016 Certified Taxable Assessed Valuation
Land	\$ 154,162,161	\$ 146,862,706	\$ 142,944,659
Improvements	699,872,950	686,841,835	645,769,204
Personal Property	18,856,911	18,217,037	17,333,900
Exemptions	(71,293,694)	(68,077,509)	(66,682,853)
Total	<u>\$ 801,598,328</u>	<u>\$ 783,844,069</u>	<u>\$ 739,364,910</u>

## Principal Taxpayers

The following table represents the principal taxpayers for 2018, the type of property, the certified taxable assessed value of such property, and such property's assessed value as a percentage of the District's 2018 Certified Taxable Assessed Valuation of \$801,598,328. A principal taxpayer list related to the 2019 Taxable Assessed Valuation is not available at this time.

Taxpayer	Type of Property	2018 Certified Taxable Assessed Valuation	% of 2018 Certified Taxable Assessed Valuation
Rise Spring Apartments Ltd.	Apartments	\$ 35,504,980	4.43%
Stoneleigh Sierra LLC et al	Apartments	19,659,406	2.45%
Edgewater Apartments East LLC	Apartments	18,145,011	2.26%
Sovran Acquisition LP	Self Storage Facility	13,388,434	1.67%
CCW Oakwood Glen Partners LLC	Apartments	8,450,200	1.05%
Raamco Texas Properties LP	Apartments	6,377,000	0.80%
We 51 Stueb Dixie LLC	Shopping Center	5,642,915	0.70%
Southwestern Bell Telephone Co.	Telephone Utility	3,128,002	0.39%
Centerpoint Energy Houston Electric	Electric Utility	3,019,330	0.38%
Amegy Bank National Association	Bank	2,133,991	0.27%
Total		<u>\$ 115,449,269</u>	<u>14.40%</u>

## **Tax Exemptions**

As discussed in the section titled “TAX PROCEDURES” herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation. For 2019, the District has adopted a \$75,000 exemption for persons who are 65 or older and/or disabled.

## **Additional Penalties**

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after April 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.

## **Tax Adequacy for Debt Service**

The tax rate calculation set forth below is presented to indicate the tax rates per \$100 assessed valuation which would be required to meet the maximum annual debt service requirement if no growth in the District's tax base occurred beyond the 2019 Taxable Assessed Valuation of \$837,716,092. The calculation contained in the following table merely represents the tax rate required to pay principal and interest on the Bonds and Remaining Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service.

Maximum Annual Debt Service Requirement (2020) .....	\$2,071,252
\$0.27 Tax Rate on 2019 Taxable Assessed Valuation at 95% collections .....	\$2,148,742

## **TAX PROCEDURES**

### **Authority to Levy Taxes**

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Remaining 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 Order to levy such a tax from year-to-year as described more fully herein under “THE BONDS—Source of Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See “TAX DATA—Debt Service Tax” and “—Maintenance Tax.”

### **Property Tax Code and County-Wide Appraisal District**

Title 1 of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

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

### **Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District.

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$3,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

***Residential Homestead Exemptions:*** The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1.

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

### **Tax Abatement**

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

### **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. 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. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) 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 fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or

residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

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

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

### **District and Taxpayer Remedies**

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

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

### **Levy and Collection of Taxes**

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

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

## **Rollback of Operations and Maintenance Tax**

Under current law, the qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent over the previous year. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 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 pursuant to SB 2 is described for each classification below.

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

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

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

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

## **District's Rights in the Event of Tax Delinquencies**

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described above under “Levy and Collection of Taxes.” In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within 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.”

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## WATER AND SEWER OPERATIONS

### General

The Bonds and the Remaining Outstanding Bonds are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law and from Net Revenues, if any, derived from operation of the District's system. The District does not anticipate that net revenues will ever be used to contribute to the payment of debt service on the Bonds or the Remaining Outstanding Bonds.

### Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements. Reference is made to such records and statements for further and more complete information.

	Fiscal Year Ended December 31				
	2018	2017	2016	2015	2014
<b>Revenues</b>					
Maintenance Tax	\$ 1,492,761	\$ 1,558,572	\$ 1,406,438	\$ 1,219,742	\$ 1,104,457
Water Service	781,268	779,178	774,008	724,435	643,579
Sewer Service	1,138,477	1,111,193	1,074,589	1,006,981	929,653
Regional Water Authority Fee	1,643,551	1,508,269	1,264,669	1,048,253	993,537
Penalty and Interest	44,057	37,466	39,170	38,852	38,165
Tap Connection and Inspection Fees	14,930	316,210	103,390	265,695	225,896
Tax Revenues from Other Gov. Entity	28,803	29,265	25,638	35,887	31,466
Investment Revenues	138,448	87,300	62,403	51,089	49,214
Groundwater Credits	-	-	-	-	71,894
Miscellaneous Revenues	33,474	32,109	40,612	33,948	152,937
<b>Total Revenues</b>	<b>\$ 5,315,769</b>	<b>\$ 5,459,562</b>	<b>\$ 4,790,917</b>	<b>\$ 4,424,882</b>	<b>\$ 4,240,798</b>
<b>Expenditures</b>					
Professional Fees	\$ 212,491	\$ 229,006	\$ 169,005	\$ 188,395	\$ 235,695
Contracted Services	690,696	666,835	658,768	587,532	552,653
Utilities	265,293	247,276	243,894	246,178	252,192
Repairs and Maintenance	1,233,228	1,002,090	917,737	731,732	664,078
Purchased Water Service	1,108,833	1,089,062	892,886	733,118	787,748
Regional Water Authority Assessment	583,926	457,322	390,428	367,574	263,172
Other (a)	663,206	693,126	593,392	696,815	635,434
Capital Outlay (b)	479,808	214,976	340,743	697,621	43,065
<b>Total Expenditures</b>	<b>\$ 5,237,481</b>	<b>\$ 4,599,693</b>	<b>\$ 4,206,853</b>	<b>\$ 4,248,965</b>	<b>\$ 3,434,037</b>
<b>Revenues Over (Under) Expenditures</b>	<b>\$ 78,288</b>	<b>\$ 859,869</b>	<b>\$ 584,064</b>	<b>\$ 175,917</b>	<b>\$ 806,761</b>
<b>Other Financing Sources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund Balance (Beginning of Year)</b>	<b>\$ 4,050,085</b>	<b>\$ 3,190,216</b>	<b>\$ 2,606,152</b>	<b>\$ 2,430,235</b>	<b>\$ 1,623,474</b>
<b>Fund Balance (End of Year)</b>	<b>\$ 4,128,373</b>	<b>\$ 4,050,085</b>	<b>\$ 3,190,216</b>	<b>\$ 2,606,152</b>	<b>\$ 2,430,235</b>

- (a) Includes tap connection expenses, chemicals and laboratory testing expenses, directors' meeting per diem, travel expenses, and payroll taxes, election expenses, insurance expense, office expenses, and other miscellaneous expenses.
- (b) The District has financed various capital projects with funds available in the operating account, including surface water conversion of its water plants, rehabilitation and maintenance of water plants and sewage treatment plants, and sanitary sewer rehabilitation.

## INVESTMENT CONSIDERATIONS

### General

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

### Recent Extreme Weather Events; Hurricane Harvey

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 has experienced four 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.

To the best knowledge of the District, water and wastewater service to the District was not interrupted due to Hurricane Harvey. Further, the District did not receive any reports of any improvements within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

### Specific Flood Type Risks

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

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

### Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value from single-family residences, developed lots, multi-family development, and commercial property. The market value of such properties is related to general economic conditions affecting the demand for properties. Demand for properties of this type can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability, energy prices and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

## **Maximum Impact on District Tax Rates**

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2019 Taxable Assessed Valuation is \$837,716,092. See “SELECTED FINANCIAL INFORMATION (UNAUDITED)”. After issuance of the Bonds, the maximum annual debt service requirement is estimated to be \$2,071,252 (2020), and the average annual debt service requirement is estimated to be \$1,399,931 (2020-2030). Assuming no increase or decrease from the 2019 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.27 and \$0.18 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual and the average annual debt service requirements (see “DEBT SERVICE REQUIREMENTS”), respectively. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Remaining Outstanding Bonds based upon the 2019 Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. The District makes no representations that over the term of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by property owners. See “TAX DATA—Tax Adequacy for Debt Service.”

## **Future Debt**

The District reserves in the Bond Order the right to issue the remaining \$11,975,000 principal amount of authorized but unissued waterworks and sewer system combination unlimited tax and revenue bonds and such additional bonds as may be voted hereafter. The District owes \$1,750,000 to various developers, as of December 31, 2018, according to the Annual Audit.

In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes in future elections. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for the construction of additional water, sanitary sewer and storm drainage facilities is subject to approval by the Commission pursuant to issuance guidelines established by the Commission. See “THE BONDS—Issuance of Additional Debt.”

## **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local 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, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see “ESTIMATED OVERLAPPING DEBT AND TAX RATES”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

## **Registered Owners' Remedies and Bankruptcy Limitations**

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

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

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

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

A district may not be forced into bankruptcy involuntarily.

### **Environmental Regulation and Air Quality**

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

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

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

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

The HGB area is currently designated as a severe ozone nonattainment area under the 1997 Ozone Standards. While the EPA has revoked the 1997 Ozone Standards, 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, EPA approved the Commission'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 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 EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court’s ruling, the Commission has developed a formal request that the HGB area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB area redesignation request under the 1997 Ozone Standards on September 5, 2018.

The HGB area is currently designated as a “moderate” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. 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. 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 Commission 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) public water supply systems, (2) waste water discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and Environmental Protection Agency’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the Commission’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 Commissions, 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 Commission 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.

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 will officially become final sixty days after its publication in the Federal Register.

On December 11, 2018, the EPA and USACE released a proposed replacement definition of “waters of the United States.” The proposed definition outlines six categories of waters that would be considered “waters of the United States,” including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not “waters of the United States,” such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies took comments on the proposal for 60 days after publication in the Federal Register, which occurred on February 14, 2019, but the proposed rule has not been finalized.

Due to the pending rulemaking activity, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements..

The 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 Commission'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 and implement 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.

### **Risk Factors Related to the Purchase of Municipal Bond Insurance**

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

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

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

## **LEGAL MATTERS**

### **Legal Opinions**

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from the proceeds of an ad valorem tax levied without limit as to rate or amount upon all taxable property in the District and the Net Revenues of the District and, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the legal opinion of Bond Counsel to the effect that the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law and from Net Revenues, if any, derived from operation of the District's system. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

In addition to serving as Bond Counsel, Strawn & Richardson, P.C., also acts as counsel to the District on matters not related to the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

### **Tax Exemption**

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Special Tax Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Special Tax Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See “APPENDIX D—FORM OF OPINION OF SPECIAL TAX COUNSEL.”

In rendering its opinion, Special Tax Counsel will rely upon (a) the opinion of Strawn & Richardson, P.C., Bond Counsel, that the Bonds are valid and binding obligations of the District payable from the proceeds of a generally-applicable ad valorem tax and Net Revenues, (b) the District's federal tax certificate and the verification report prepared by Public Finance Partners LLC and (c) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure by the District to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification, retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

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

### **Tax Accounting Treatment of Original Issue Discount Bonds**

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

Under Existing Law, 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. See "Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

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

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

### **State, Local and Foreign Taxes**

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

### **Information Reporting and Backup Withholding**

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

### **Future and Proposed Legislation**

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

### **Qualified Tax-Exempt Obligations for Financial Institutions**

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

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

### **No-Litigation Certificate**

With the delivery of the Bonds, the President and Secretary of the Board will, on behalf of the District, execute a certificate, dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is then pending against or, to the best knowledge of the certifying officers, threatened against the District contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District, or the titles of the then present officers of the Board.

## **No Material Adverse Change**

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

## **MUNICIPAL BOND RATING**

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. Moody's Investors Service has also assigned an underlying rating of "A1" to the Bonds. An explanation of the ratings may be obtained from the company furnishing each rating.

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

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due as set forth in the form of the Policy included as "APPENDIX B" to this OFFICIAL STATEMENT.

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

### **Assured Guaranty Municipal Corp.**

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

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### *Current Financial Strength Ratings*

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

On June 27, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 21, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

### *Capitalization of AGM*

At June 30, 2019:

- The policyholders' surplus of AGM was approximately \$2,530 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,082 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,853 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

### *Incorporation of Certain Documents by Reference*

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (filed by AGL with the SEC on May 10, 2019); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019 (filed by AGL with the SEC on August 8, 2019).

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

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

### *Miscellaneous Matters*

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

## VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the funds deposited with the Paying Agent for the Refunded Bonds for the payment of the Refunded Bonds; (b) the mathematical computations of yield used by Special Tax Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes; and (c) compliance with the City of Houston Ordinance 97-416.

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

## SALE AND DISTRIBUTION OF THE BONDS

### **The Underwriter**

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the "Underwriter") pursuant to a bond purchase agreement with the District (the "Bond Purchase Agreement") at a price of \$2,351,584.33 (representing the principal amount of the Bonds of \$2,245,000.00, plus a net premium of \$56,012.90 on the Current Interest Bonds, plus a premium on the Premium Compound Interest Bonds of \$76,586.40, less an underwriter's discount of \$26,014.97), plus accrued interest. The Underwriter's obligation is to purchase all of the Bonds, if any are purchased. See "PLAN OF FINANCING—Sources and Uses of Funds."

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

### **Prices and Marketability**

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

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

### **Securities Laws**

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

## PREPARATION OF OFFICIAL STATEMENT

### **Sources and Compilation of Information**

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

## **Financial Advisor**

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

“THE DISTRICT” –Eby Engineers, Inc. (“Engineer”), and Records of the District (“Records”); “THE SYSTEM” - Engineer; “FINANCIAL STATEMENT (UNAUDITED)” – Harris County Appraisal District and Equi-Tax, Inc.; “ESTIMATED OVERLAPPING DEBT AND TAX RATES” - Municipal Advisory Council of Texas and Financial Advisor; “TAX DATA” – Equi-Tax, Inc.; “MANAGEMENT” - Records; “THE BONDS,” “TAX PROCEDURES,” and “LEGAL MATTERS” - Strawn & Richardson, P.C.

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

## **Consultants**

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

*Appraisal District:* The information contained in this OFFICIAL STATEMENT relating to the 2019 Taxable Assessed Valuation has been provided by the Harris County Appraisal District and has been included herein in reliance upon the authority of such entity as an expert in appraising the values of property in Harris County, including the District.

*Tax Assessor/Collector:* The information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the Certified Taxable Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Equi-Tax, Inc., and is included herein in reliance upon the authority of such person as an expert in assessing and collecting taxes.

*Engineer:* The information contained in this OFFICIAL STATEMENT relating to engineering matters and to the description of the System and, in particular that information included in the sections entitled “THE DISTRICT” and “THE SYSTEM” (as related to District facilities) has been provided by Eby Engineers, Inc., Consulting Engineers and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

*Auditor:* The District's audited financial statements for the year ended December 31, 2018, were prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See APPENDIX A for a copy of the District's December 31, 2018, audited financial statements.

## **Updating the Official Statement**

The District will keep the OFFICIAL STATEMENT current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, to the other matters described in the OFFICIAL STATEMENT, until the delivery of the Bonds to the Underwriter, or as otherwise required by law. The District assumes no responsibility for supplementing the OFFICIAL STATEMENT thereafter.

## **Certification of Official Statement**

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board makes no other representation as to the accuracy or completeness of the information derived from sources other than the District.

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Order, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”). This information will be available to the public without charge through its Electronic Municipal Market Access (“EMMA”) internet portal at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Annual Reports**

The District will provide certain updated financial information and operating data to the MSRB annually. The financial information and operating data which will be provided includes all quantitative financial information and operating data of the general type included in this official statement under the headings “THE BONDS—Issuance of Additional Debt,” “THE SYSTEM—Source of Water Supply “ and “—Source of Wastewater Treatment,” “FINANCIAL STATEMENT,” “TAX DATA,” “WATER AND SEWER OPERATIONS,” and “DEBT SERVICE REQUIREMENTS” (most of which information is contained in the District’s annual audit report) and in APPENDIX A. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2019. The District will provide the updated information to the MSRB or any successor to its functions as a repository through EMMA. Any financial statements concerning the District so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report of the District is not complete within such period, then the District shall provide unaudited financial statements to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

The District’s fiscal year end is currently December 31. Accordingly, it must provide updated information by June 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

### **Specified Event Notices**

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, 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 within the meaning of the Rule, 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 within the meaning of the Rule, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

### **Availability of Information from the MSRB**

The District has agreed to provide the foregoing information only to the MSRB in an electronic format and accompanied by identifying information as prescribed by the MSRB Board. The MSRB makes the information available to the public without charge through its EMMA internet portal at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

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

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

**Compliance With Prior Undertakings**

During the last five years, the District has complied in all material respects with its previous continuing disclosure agreements.

**MISCELLANEOUS**

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

This OFFICIAL STATEMENT was approved by the Board of Directors of Harris County Municipal Utility District No. 24 as of the date shown on the cover page.

/s/ Dennis L. Cormier  
President, Board of Directors  
Harris County Municipal Utility District No. 24

ATTEST:

/s/ Peggy A. Winters  
Secretary, Board of Directors  
Harris County Municipal Utility District No. 24

**APPENDIX A**

**District Audited Financial Statements for the fiscal year ended December 31, 2018**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2018**



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2018**



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# **McCALL GIBSON SWEDLUND BARFOOT PLLC**

*Certified Public Accountants*

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Harris County Municipal Utility District No. 24  
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. 24 (the "District"), as of and for the year ended December 31, 2018, 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 December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *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 supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*McCall Gibson Swedlund Barfoot PLLC*

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

April 3, 2019



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Management’s discussion and analysis of Harris County Municipal Utility District No. 24’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the District’s financial statements.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

**FUND FINANCIAL STATEMENTS**

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,683,247 as of December 31, 2018.

A portion of the District's net position reflects its net investment in capital assets (e.g. land, buildings and equipment as well as water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding).

The following is a comparative analysis of government-wide changes in net position:

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 11,094,729	\$ 11,015,656	\$ 79,073
Capital Assets (Net of Accumulated Depreciation)	29,350,126	30,018,461	(668,335)
Total Assets	\$ 40,444,855	\$ 41,034,117	\$ (589,262)
Deferred Outflows of Resources	\$ 153,521	\$ 179,693	\$ (26,172)
Due to Developers	\$ 1,749,716	\$ 1,749,716	\$
Long-Term Liabilities	13,648,388	15,355,947	1,707,559
Other Liabilities	2,911,973	2,817,270	(94,703)
Total Liabilities	\$ 18,310,077	\$ 19,922,933	\$ 1,612,856
Deferred Inflows of Resources	\$ 3,605,052	\$ 3,610,092	\$ 5,040
Net Position:			
Net Investment in Capital Assets	\$ 12,627,051	\$ 11,609,470	\$ 1,017,581
Restricted	1,346,484	1,424,412	(77,928)
Unrestricted	4,709,712	4,646,903	62,809
Total Net Position	\$ 18,683,247	\$ 17,680,785	\$ 1,002,462

The following table provides a summary of the District's operations for the years ending December 31, 2018, and December 31, 2017.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 3,604,411	\$ 3,772,990	\$ (168,579)
Charges for Services	3,680,173	3,814,848	(134,675)
Other Revenues	189,357	127,909	61,448
Total Revenues	\$ 7,473,941	\$ 7,715,747	\$ (241,806)
Expenses for Services	6,471,479	6,161,615	(309,864)
Change in Net Position	\$ 1,002,462	\$ 1,554,132	\$ (551,670)
Net Position, Beginning of Year	17,680,785	16,126,653	1,554,132
Net Position, End of Year	\$ 18,683,247	\$ 17,680,785	\$ 1,002,462

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's combined fund balances as December 31, 2018, were \$5,803,339, a decrease of \$200 from the prior year.

The General Fund fund balance increased by \$78,288, primarily due to service revenues and property tax collections exceeding operating expenditures and capital costs.

The Debt Service Fund fund balance decreased by \$78,614, primarily due to the structure of the District's outstanding debt service requirements.

The Capital Projects Fund fund balance increased by \$126.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$213,769 more than budgeted revenues and actual expenditures were \$135,631 more than budgeted expenditures.

**CAPITAL ASSETS**

Capital assets as of December 31, 2018, total \$29,350,126 (net of accumulated depreciation) and include land, buildings and equipment as well as the water, wastewater and drainage systems.

Capital asset events during the current fiscal year included the following:

- SCADA system for a lift station
- Conference room remodel at the District building
- Reclaimed water project at the wastewater treatment plant (construction in progress)

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**CAPITAL ASSETS (Continued)**

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,433,366	\$ 2,433,366	\$
Construction in Progress	419,633	12,785	406,848
Capital Assets, Net of Accumulated Depreciation:			
Buildings	337,492	326,939	10,553
Landscaping	396,994	446,163	(49,169)
Water System	6,558,604	7,018,032	(459,428)
Wastewater System	13,677,886	14,098,830	(420,944)
Drainage	3,532,169	3,636,794	(104,625)
Detention Ponds	1,993,982	2,045,552	(51,570)
Total Net Capital Assets	\$ 29,350,126	\$ 30,018,461	\$ (668,335)

Additional information on the District's capital assets can be found in Note 6.

**LONG-TERM DEBT ACTIVITY**

As of December 31, 2018, the District had total long-term debt payable of \$15,345,000. The changes in the debt position of the District during the fiscal year ended December 31, 2018, are summarized as follows:

Bond Debt Payable, January 1, 2018	\$ 17,040,000
Less: Bond Principal Paid	1,695,000
Bond Debt Payable, December 31, 2018	\$ 15,345,000

The District's bonds carry an underlying rating of "A1" from Moody's. The Series 2008 Bonds carry an insured rating of "AA" from Standard and Poor's by virtue of bond insurance issued by Assured Guaranty Corp. The Series 2011 Bonds carry an insured rating of "A2" from Moody's by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2013 Refunding Bonds, Series 2015 Bonds and Series 2016 Bonds carry an insured rating of "AA" from Standard and Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 24, c/o Strawn & Richardson, PC, 6750 West Loop South, Suite 865, Bellaire, TX 77401-4103.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**DECEMBER 31, 2018**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 196,299	\$ 528,853
Investments	4,864,800	1,344,019
Receivables:		
Property Taxes	1,192,616	1,635,544
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$10,000)	258,157	
Accrued Interest	1,539	
Builder Damages	309	
Due from Other Funds	117,129	
Prepaid Costs	93,710	
Chloramination Credits Receivable		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 6,724,559</b>	<b>\$ 3,508,416</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
 <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 6,724,559</b>	<b>\$ 3,508,416</b>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 396,195	\$ 1,121,347	\$	\$ 1,121,347
	6,208,819		6,208,819
	2,828,160		2,828,160
		14,268	14,268
	258,157		258,157
	1,539		1,539
	309		309
	117,129	(117,129)	
	93,710		93,710
		568,420	568,420
		2,433,366	2,433,366
		419,633	419,633
		<u>26,497,127</u>	<u>26,497,127</u>
<u>\$ 396,195</u>	<u>\$ 10,629,170</u>	<u>\$ 29,815,685</u>	<u>\$ 40,444,855</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 153,521</u>	<u>\$ 153,521</u>
<u><u>\$ 396,195</u></u>	<u><u>\$ 10,629,170</u></u>	<u><u>\$ 29,969,206</u></u>	<u><u>\$ 40,598,376</u></u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**DECEMBER 31, 2018**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 328,088	\$ 250
Accrued Interest Payable		
Due to Other Governments	112,641	
Due to Developers		
Due to Other Funds		117,129
Due to Taxpayers		8,126
Annexation/Construction Deposits	55,505	
Security Deposits	564,900	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
<b>TOTAL LIABILITIES</b>	<b>\$ 1,061,134</b>	<b>\$ 125,505</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 1,535,052	\$ 2,104,140
<b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 93,710	\$
Restricted for Authorized Construction:		
Bond Proceeds		
Net Investment Revenues		1,278,771
Restricted for Debt Service		
Assigned to 2019 Budget Deficit	34,350	
Unassigned	4,000,313	
<b>TOTAL FUND BALANCES</b>	<b>\$ 4,128,373</b>	<b>\$ 1,278,771</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 6,724,559</b>	<b>\$ 3,508,416</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for:		
Debt Service		
Capital Projects		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 328,338	\$	\$ 328,338
		152,463	152,463
	112,641		112,641
		1,749,716	1,749,716
	117,129	(117,129)	
	8,126		8,126
	55,505		55,505
	564,900		564,900
		1,690,000	1,690,000
		13,648,388	13,648,388
<u>\$ -0-</u>	<u>\$ 1,186,639</u>	<u>\$ 17,123,438</u>	<u>\$ 18,310,077</u>
<u>\$ -0-</u>	<u>\$ 3,639,192</u>	<u>\$ (34,140)</u>	<u>\$ 3,605,052</u>
\$	\$ 93,710	\$ (93,710)	\$
211,508	211,508	(211,508)	
184,687	184,687	(184,687)	
	1,278,771	(1,278,771)	
	34,350	(34,350)	
	4,000,313	(4,000,313)	
<u>\$ 396,195</u>	<u>\$ 5,803,339</u>	<u>\$ (5,803,339)</u>	<u>\$ - 0 -</u>
<u>\$ 396,195</u>	<u>\$ 10,629,170</u>		
		\$ 12,627,051	\$ 12,627,051
		1,161,797	1,161,797
		184,687	184,687
		4,709,712	4,709,712
		<u>\$ 18,683,247</u>	<u>\$ 18,683,247</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

Total Fund Balances - Governmental Funds	\$	5,803,339
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Credits due from the North Harris County Regional Water Authority for capital contributions and asset reimbursements are not current financial resources and, therefore, are not reported as assets in the governmental funds.		568,420
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The difference between the net carrying amount of refunded bonds and the reacquisition price is recorded as a deferred outflow of resources in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		153,521
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Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		29,350,126
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2017 and prior tax levies became part of recognized revenues in the governmental activities of the District.		48,408
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Due to Developers	\$ (1,749,716)	
Accrued Interest Payable	(152,463)	
Bonds Payable Within One Year	(1,690,000)	
Bonds Payable After One Year	<u>(13,648,388)</u>	<u>(17,240,567)</u>

Total Net Position - Governmental Activities	\$	<u>18,683,247</u>
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The accompanying notes to the financial statements are an integral part of this report.

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**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 1,492,761	\$ 2,124,444
Water Service	781,268	
Wastewater Service	1,138,477	
Tax Revenue from Other Government	28,803	
Regional Water Authority Fees	1,643,551	
Penalty and Interest	44,057	33,919
Tap Connection and Inspection Fees	14,930	
Investment Revenues	138,448	25,375
Miscellaneous Revenues	33,474	2,964
<b>TOTAL REVENUES</b>	<b>\$ 5,315,769</b>	<b>\$ 2,186,702</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 212,491	\$ 12,782
Contracted Services	690,696	68,697
Purchased Water Service	1,108,833	
Utilities	265,293	
Regional Water Authority Assessments	583,926	
Repairs and Maintenance	1,233,228	
Depreciation		
Other	663,206	10,843
Capital Outlay	479,808	
Debt Service:		
Bond Principal		1,695,000
Bond Interest		477,994
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 5,237,481</b>	<b>\$ 2,265,316</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 78,288</b>	<b>\$ (78,614)</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION -</b> <b>JANUARY 1, 2018</b>	<b>4,050,085</b>	<b>1,357,385</b>
<b>FUND BALANCES/NET POSITION -</b> <b>DECEMBER 31, 2018</b>	<b>\$ 4,128,373</b>	<b>\$ 1,278,771</b>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 3,617,205	\$ (12,794)	\$ 3,604,411
	781,268		781,268
	1,138,477		1,138,477
	28,803		28,803
	1,643,551		1,643,551
	77,976	(4,832)	73,144
	14,930		14,930
597	164,420	(11,501)	152,919
	36,438		36,438
<u>\$ 597</u>	<u>\$ 7,503,068</u>	<u>\$ (29,127)</u>	<u>\$ 7,473,941</u>
\$	\$ 225,273	\$	\$ 225,273
	759,393		759,393
	1,108,833		1,108,833
	265,293		265,293
	583,926		583,926
	1,233,228		1,233,228
		1,148,143	1,148,143
471	674,520		674,520
	479,808	(479,808)	
	1,695,000	(1,695,000)	
	477,994	(5,124)	472,870
<u>\$ 471</u>	<u>\$ 7,503,268</u>	<u>\$ (1,031,789)</u>	<u>\$ 6,471,479</u>
\$ 126	\$ (200)	\$ 200	\$
		1,002,462	1,002,462
<u>396,069</u>	<u>5,803,539</u>	<u>11,877,246</u>	<u>17,680,785</u>
<u>\$ 396,195</u>	<u>\$ 5,803,339</u>	<u>\$ 12,879,908</u>	<u>\$ 18,683,247</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Governmental Funds \$ (200)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied. (12,794)

Governmental funds report penalty and interest revenue on property taxes when collected. However, in the government-wide financial statements, revenues are recorded when penalty and interest are assessed. (4,832)

Governmental funds report North Harris County Regional Water Authority credits as revenues. In the government-wide financial statements, the principal portion of the credits decreases long-term receivables and the balance is recorded as investment revenue. (11,501)

Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. (1,148,143)

Governmental funds report capital costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital assets are expensed in the Statement of Activities. 479,808

Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments on long-term debt decrease long-term liabilities and the Statement of Activities is not affected. 1,695,000

Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the long-term debt through fiscal year-end. 5,124

Change in Net Position - Governmental Activities \$ 1,002,462

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1. CREATION OF DISTRICT**

Harris County Municipal Utility District No. 24 of Harris County, Texas (the “District”) was created on December 12, 1972, by an Order of the Texas Department of Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on February 7, 1973, and the first bonds were sold on February 15, 1975.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

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

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include 2017 taxes collected during the period October 1, 2017, to December 31, 2018. In addition, taxes collected from January 1, 2018, to December 31, 2018, for all prior tax levies are included in revenue. The 2018 tax levy has been fully deferred to meet operating expenditures for the 2019 fiscal year.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as an expenditure in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have a total cost of \$10,000 and a useful life of at least two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

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

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

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

Measurement Focus

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

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

*Nonspendable*: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

*Committed*: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

*Assigned*: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. As of December 31, 2018, the District has assigned \$34,350 of the General Fund fund balance to cover a portion of the 2019 budget.

*Unassigned*: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 3. LONG-TERM DEBT**

	<u>Series 2008</u>	<u>Series 2011</u>	<u>Series 2013 Refunding Bonds</u>
Amount Outstanding – December 31, 2018	\$ 1,575,000	\$ 2,170,000	\$ 5,195,000
Interest Rates	3.90% - 4.15%	3.25% - 4.25%	2.00% - 3.50%
Maturity Dates – Beginning/Ending	March 1, 2019, 2021, 2023, 2025	March 1, 2019, 2021, 2023, 2025, 2027, 2029	March 1, 2019/2025
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2017*	March 1, 2019*	March 1, 2021*
	<u>Series 2015</u>	<u>Series 2016</u>	
Amount Outstanding – December 31, 2018	\$ 5,065,000	\$ 1,340,000	
Interest Rates	2.00% - 3.00%	2.00% - 2.50%	
Maturity Dates – Beginning/Ending	March 1, 2019/2020, 2022/2030	March 1, 2019/2020, 2022,2024, 2026,2030	
Interest Payment Dates	March 1/ September 1	March 1/ September 1	
Callable Dates	March 1, 2023*	March 1, 2024*	

\* At the option of the District as a whole or in part on the call option date or any date thereafter, at par plus accrued interest to the date of redemption. Series 2008 term bonds maturing March 1, 2019, March 1, 2021, March 1, 2023, and March 1, 2025 are subject to mandatory redemption by lot beginning March 1, 2018, March 1, 2020, March 1, 2022, and March 1, 2024, respectively. Series 2011 term bonds maturing on March 1, 2021, March 1, 2023, March 1, 2025, March 1, 2027, and March 1, 2029 are subject to mandatory redemption by lot beginning March 1, 2020, March 1, 2022, March 1, 2024, March 1, 2026, and March 1, 2028, respectively. Series 2015 term bonds maturing on March 1, 2022 are subject to mandatory redemption by lot are other customary method of random selection beginning on March 1, 2021. Series 2016 term bonds maturing on March 1, 2022, March 1, 2024, March 1, 2026, and March 1, 2030 are subject to mandatory redemption by lot or other customary method of random selection beginning March 1, 2021, March 1, 2023, March 1, 2025, and March 1, 2027, respectively.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 3. LONG-TERM DEBT (Continued)**

The following is a summary of transactions regarding the changes in the long-term liabilities for the year ended December 31, 2018:

	January 1, 2018	Additions	Retirements	December 31, 2018
Bonds Payable	\$ 17,040,000	\$	\$ 1,695,000	\$ 15,345,000
Unamortized Discounts	(89,273)		(14,015)	(75,258)
Unamortized Premiums	100,220		31,574	68,646
Bonds Payable, Net	<u>\$ 17,050,947</u>	<u>\$ -0-</u>	<u>\$ 1,712,559</u>	<u>\$ 15,338,388</u>
			Amount Due Within One Year	\$ 1,690,000
			Amount Due After One Year	<u>13,648,388</u>
			Bonds Payable, Net	<u>\$ 15,338,388</u>

As of December 31, 2018, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 1,690,000	\$ 436,720	\$ 2,126,720
2020	1,685,000	395,980	2,080,980
2021	1,685,000	352,056	2,037,056
2022	1,690,000	301,966	1,991,966
2023	1,695,000	248,654	1,943,654
2024-2028	5,635,000	565,587	6,200,587
2029-2030	<u>1,265,000</u>	<u>35,325</u>	<u>1,300,325</u>
	<u>\$ 15,345,000</u>	<u>\$ 2,336,288</u>	<u>\$ 17,681,288</u>

As of December 31, 2018, the District had authorized but unissued tax bonds in the amount of \$11,975,000.

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

During the year ended December 31, 2018, the District levied an ad valorem debt service tax rate of \$0.26 per \$100 of assessed valuation, which resulted in a tax levy of \$2,082,919 on the adjusted taxable valuation of \$800,867,359 for the 2018 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 3. LONG-TERM DEBT (Continued)**

The District's tax calendar is as follows:

- Levy Date - October 1, or as soon thereafter as practicable.  
Lien Date - January 1.  
Due Date - Not later than January 31.  
Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

**NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**

- A. The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each five-year anniversary of each issue.
- B. The bond orders state that the District is required to provide to the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access system continuing disclosure of annual financial information and operating data with respect to the District. The information is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$1,542,520 and the bank balance was \$1,634,233. Of the bank balance, \$921,174 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the District and held in a third-party depository.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2018, as listed below:

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Deposits (Continued)

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 196,299	\$ 421,173	\$ 617,472
DEBT SERVICE FUND	528,853		528,853
CAPITAL PROJECTS FUND	396,195		396,195
TOTAL DEPOSITS	\$ 1,121,347	\$ 421,173	\$ 1,542,520

Investments

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

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

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

The District invests in the Texas Short Term Asset Reserve Program (“TexSTAR”), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and FirstSouthwest, a division of Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

Certificates of deposit are valued at acquisition cost at the date of purchase.

As of December 31, 2018, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 4,434,065	\$ 4,434,065
TexSTAR	9,562	9,562
Certificates of Deposit	421,173	421,173
<u>DEBT SERVICE FUND</u>		
TexPool	805,108	805,108
TexSTAR	538,911	538,911
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 6,208,819</u></b>	<b><u>\$ 6,208,819</u></b>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2018, the District’s investments in TexPool and TexSTAR were rated “AAAm” by Standard and Poor’s. The District also manages credit risk by investing in certificates of deposit with balances covered in accordance with Texas statutes.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers its investments in TexPool and TexSTAR to have a maturity of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages credit rate risk by investing in certificates of deposit with maturities of approximately one year or less.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Restrictions

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

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018:

	January 1, 2018	Increases	Decreases	December 31, 2018
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 2,433,366	\$	\$	\$ 2,433,366
Construction in Progress	12,785	479,808	72,960	419,633
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 2,446,151</b>	<b>\$ 479,808</b>	<b>\$ 72,960</b>	<b>\$ 2,852,999</b>
<b>Capital Assets Subject to Depreciation</b>				
Buildings	\$ 600,043	\$ 27,060	\$	\$ 627,103
Landscaping	559,645			559,645
Water System	13,057,735			13,057,735
Wastewater System	19,864,995	45,900		19,910,895
Drainage System	4,273,324			4,273,324
Detention Ponds	2,807,040			2,807,040
<b>Total Capital Assets Cost Subject to Depreciation</b>	<b>\$ 41,162,782</b>	<b>\$ 72,960</b>	<b>\$ -0-</b>	<b>\$ 41,235,742</b>
<b>Accumulated Depreciation</b>				
Buildings	\$ 273,104	\$ 16,507	\$	\$ 289,611
Landscaping	113,482	49,169		162,651
Water System	6,039,703	459,428		6,499,131
Wastewater System	5,766,165	466,844		6,233,009
Drainage System	636,530	104,625		741,155
Detention Ponds	761,488	51,570		813,058
<b>Total Accumulated Depreciation</b>	<b>\$ 13,590,472</b>	<b>\$ 1,148,143</b>	<b>\$ -0-</b>	<b>\$ 14,738,615</b>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 27,572,310</b>	<b>\$ (1,075,183)</b>	<b>\$ -0-</b>	<b>\$ 26,497,127</b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 30,018,461</b>	<b>\$ (595,375)</b>	<b>\$ 72,960</b>	<b>\$ 29,350,126</b>

The District has financed certain drainage facilities that the County has accepted for maintenance. Such drainage facilities have not been capitalized by the District.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 7. MAINTENANCE TAX**

At an election held on August 17, 1974, the voters of the District approved the levy and collection of a maintenance tax at an unlimited rate per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to fund expenditures of operating the District's waterworks and sanitary sewer system. During the year ended December 31, 2018, the District levied an ad valorem maintenance tax rate of \$0.19 per \$100 of assessed valuation, which resulted in a tax levy of \$1,522,133 on the adjusted taxable valuation of \$800,867,359 for the 2018 tax year.

**NOTE 8. WATER SUPPLY AND WASTE DISPOSAL CONTRACT**

On March 26, 1987, the District executed a contract with Kleinwood Municipal Utility District ("Kleinwood") providing for the District to serve a certain 14-acre tract of land located within Kleinwood. Kleinwood is unable to provide service to this tract of land. The developer of the tract agreed to construct the water and sewer lines on the property with the District agreeing to provide ordinary maintenance on the facilities. Extraordinary repairs are to be shared by both districts. The District is entitled to collect all tap fees and revenues to be derived from operating the system. The developer has conveyed the utilities to the District by general warranty deed.

Kleinwood agreed to fund to the District seventy percent (70%) of the ad valorem taxes levied by Kleinwood on the development each year for the term of the contract. By March 1 of each year, Kleinwood agreed to pay the amount provided for above to the District and provide documentation supporting the calculation of the amount paid. If an owner of property within the development has not paid the taxes due by March 1, Kleinwood shall have 30 days from any payment date to pay the District an amount equal to seventy percent (70%) of the taxes, penalty and interest accrued to date, excluding any fifteen percent (15%) penalties. At such time as ninety percent (90%) of the taxes levied by Kleinwood on the development are collected by Kleinwood, Kleinwood will fund the entire remaining amount owing for that year to the District. The payment by Kleinwood is to be a cost of operating their water and sewer system.

The District can charge the residents within this development in accordance with an out-of-district rate provided the charge shall not exceed two times the amount charged within the District. Presently, the District charges the residents within this development at 150% of in-district customer rates. The agreement has a term of 40 years. During the current fiscal year, the District recorded revenue of \$28,803 from Kleinwood for the 70% provisions of this agreement.

**NOTE 9. EMERGENCY WATER SUPPLY AGREEMENTS**

On October 14, 1991, the District executed an Emergency Water Supply Agreement with Cypress-Klein Utility District. The agreement provides for each district to jointly share in the cost of making the connection to each other's water system. The cost of water supplied to each District is to be \$250 per day. The agreement has a term of 40 years. On March 18, 1999, by letter agreement, the District agreed to allow Cypress-Klein to serve Harris County Municipal Utility District No. 316 through the same interconnect.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 9. EMERGENCY WATER SUPPLY AGREEMENTS (Continued)**

On May 13, 2008, the District executed an Emergency Water Supply Contract with Spring Creek Forest Public Utility District. The contract provides that during an emergency, the district experiencing the emergency shall be supplied water by the other district through an existing emergency water connection. The cost of water supplied to each district is to be \$0.75 per 1,000 gallons of water supplied, plus any fee imposed by a regional water authority, groundwater conservation district, governmental entity or contractual arrangement. If the supplying party purchases all or a portion of the water supplied during an emergency from a third party due to an inability of such supplying party to meet the water demands of its own customers and the receiving party solely through utilization of its own water production facilities, the receiving party shall pay the supplying party for water received from the third party at a rate per 1,000 gallons equal to the rate paid by the supplying party for such water in the event that such rate is greater than \$0.75 per 1,000 gallons. The agreement has a term of 20 years.

On January 4, 2012, the District executed an Emergency Water Supply Contract with Northwest Harris County Municipal Utility District No. 30. The contract provides that during an emergency, the district experiencing the emergency shall be supplied water by the other district through an existing emergency water connection. The cost of water supplied to each district is the current per 1,000 gallons surface water fee paid to the Authority by the supplying district. The term of this contract is 25 years.

**NOTE 10. RISK MANAGEMENT**

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

**NOTE 11. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**

The District is located within the boundaries of the North Harris County Regional Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the "Act"), as passed by the 75<sup>th</sup> Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority is overseeing that its participants comply with the Harris-Galveston Subsidence District pumpage requirements. The District is required to convert its water supply to surface water over a period of time.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 11. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**  
(Continued)

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current fee is \$3.40 per 1,000 gallons of water pumped from each well. The District recorded an expenditure of \$583,926 for fees assessed during the current fiscal year. In addition, the District purchased surface water from the Authority. The current rate is \$3.85 per 1,000 gallons of water delivered. The District recorded expenditures of \$1,108,833 for water purchased during 2018.

The Authority required the District to convert its water system to chloramine disinfection for as long as it is connected to the Authority's system. The District's cost of this conversion was \$637,235. The Authority calculated the reimbursement at 6% interest over a 30-year period. The District began receiving chloramine conversion credits on the December 2011 Authority billing. Total credits received in the current fiscal year were \$46,296. Of this amount, \$11,501 was a return of principal with the balance being applicable to interest. The following is a schedule of the remaining chloramine conversion credits to be received under the terms of the agreement.

Fiscal Year	Principal	Interest	Total
2019	\$ 12,191	\$ 34,105	\$ 46,296
2020	12,922	33,374	46,296
2021	13,698	32,598	46,296
2022	14,519	31,777	46,296
2023	15,391	30,905	46,296
2024-2028	91,963	139,517	231,480
2029-2033	123,068	108,412	231,480
2034-2038	164,692	66,788	231,480
2039-2041	<u>119,976</u>	<u>14,295</u>	<u>134,271</u>
	<u>\$ 568,420</u>	<u>\$ 491,771</u>	<u>\$ 1,060,191</u>

**NOTE 12. INTERFUND BALANCES**

As of December 31, 2018, the Debt Service Fund (Tax Account) owed the General Fund \$113,879 for maintenance tax collections and the Debt Service Fund owed the General Fund \$3,250 for arbitrage rebate calculation costs.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 13. UNREIMBURSED COSTS**

The District has entered into development financing agreements with developers within the District. The agreements call for the developers to fund costs associated with water, sewer, and drainage facilities until such time as the District can sell bonds. As of December 31, 2018, the District recorded an estimated liability of \$1,749,716 for completed projects.

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**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**

**REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2018**



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Property Taxes	\$ 1,300,000	\$ 1,492,761	\$ 192,761
Water Service	780,000	781,268	1,268
Wastewater Service	1,105,000	1,138,477	33,477
Tax Revenue from Other Government	39,000	28,803	(10,197)
Regional Water Authority Fees	1,750,000	1,643,551	(106,449)
Penalty and Interest	5,000	44,057	39,057
Tap Connection and Inspection Fees	10,000	14,930	4,930
Investment Revenues	86,000	138,448	52,448
Miscellaneous Revenues	<u>27,000</u>	<u>33,474</u>	<u>6,474</u>
<b>TOTAL REVENUES</b>	<u>\$ 5,102,000</u>	<u>\$ 5,315,769</u>	<u>\$ 213,769</u>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 231,000	\$ 212,491	\$ 18,509
Contracted Services	709,800	690,696	19,104
Purchased Water Service/Pumpage Fees	1,750,000	1,692,759	57,241
Utilities	245,000	265,293	(20,293)
Repairs and Maintenance	761,000	1,233,228	(472,228)
Other	580,050	663,206	(83,156)
Capital Outlay	<u>825,000</u>	<u>479,808</u>	<u>345,192</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 5,101,850</u>	<u>\$ 5,237,481</u>	<u>\$ (135,631)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 150	\$ 78,288	\$ 78,138
<b>FUND BALANCE - JANUARY 1, 2018</b>	<u>4,050,085</u>	<u>4,050,085</u>	<u>          </u>
<b>FUND BALANCE - DECEMBER 31, 2018</b>	<u>\$ 4,050,235</u>	<u>\$ 4,128,373</u>	<u>\$ 78,138</u>

See accompanying independent auditor's report.

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**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**  
**DECEMBER 31, 2018**



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

**2. RETAIL SERVICE PROVIDERS**

**a. RETAIL RATES FOR A 3/4" METER (OR EQUIVALENT):**

Based on the rate order effective November 28, 2018.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 8.00	3,000	N	\$ 1.00 \$ 1.25 \$ 1.50 \$ 1.75	3,001 to 10,000 10,001 to 20,000 20,001 to 30,000 30,001 and up
WASTEWATER:	\$ 12.00*		Y		
SURCHARGE:					
Regional Water Authority Fees			N	\$ 4.43	All

District employs winter averaging for wastewater usage?          X    
Yes           No

Total monthly charges per 10,000 gallons usage: Water: \$15.00 Wastewater: \$12.00 Surcharge: \$44.30 Total: \$71.30

\* All single-family homes within Oakwood Glen, Shannon Forest, Woodbriar Place, Oakwood West, Glenn Haven Estates, Villas of Oakwood Glen, Lyndhurst Village, Deer Creek Condos, Twin Falls, Willowick Forest, The Chancel and Creekside Farms shall be billed a monthly service charge for sewer of \$31.27. The District provides solid waste disposal in those subdivisions.

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ <sup>3</sup> / <sub>4</sub> "	<u>3,071</u>	<u>3,047</u>	x 1.0	<u>3,047</u>
1"	<u>91</u>	<u>90</u>	x 2.5	<u>225</u>
1½"	<u>28</u>	<u>27</u>	x 5.0	<u>135</u>
2"	<u>49</u>	<u>45</u>	x 8.0	<u>360</u>
3"	<u>2</u>	<u>2</u>	x 15.0	<u>30</u>
4"	<u>2</u>	<u>2</u>	x 25.0	<u>50</u>
6"	<u>2</u>	<u>2</u>	x 50.0	<u>100</u>
8"	<u>5</u>	<u>5</u>	x 80.0	<u>400</u>
10"			x 115.0	
Total Water Connections	<u><u>3,250</u></u>	<u><u>3,220</u></u>		<u><u>4,347</u></u>
Total Wastewater Connections	<u><u>3,208</u></u>	<u><u>3,178</u></u>	x 1.0	<u><u>3,178</u></u>

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

Gallons pumped into system:	158,859,000	Water Accountability Ratio: 91.4% (Gallons billed and sold/Gallons pumped and purchased)
Gallons purchased:	266,762,000	From: North Harris County Regional Water Authority
Gallons billed to customers:	389,229,000	

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

Does the District have Debt Service standby fees? Yes  No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes  No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely  Partly  Not at all

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

Entirely  Partly  Not at all

ETJ in which District is located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes  No

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

PROFESSIONAL FEES:	
Auditing	\$ 22,350
Engineering	54,631
Financial Advisor	2,500
Legal	<u>133,010</u>
TOTAL PROFESSIONAL FEES	<u>\$ 212,491</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	<u>\$ 1,108,833</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 14,422
Operations and Billing	214,562
Building Management	6,000
Recording Secretary	<u>3,300</u>
TOTAL CONTRACTED SERVICES	<u>\$ 238,284</u>
UTILITIES:	
Electricity	\$ 235,540
Telephone	<u>29,753</u>
TOTAL UTILITIES	<u>\$ 265,293</u>
REPAIRS AND MAINTENANCE	<u>\$ 1,233,228</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 30,000
Insurance	64,193
Legal Notices	16,733
Office Building Expenses	9,701
Office Supplies and Postage	73,458
Payroll Taxes	2,295
Travel and Meetings	14,176
Other	<u>47,077</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 257,633</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

CAPITAL OUTLAY:	
Capitalized Assets	\$ 479,808
Expenditures Not Capitalized	<u>                    </u>
TOTAL CAPITAL OUTLAY	<u>\$ 479,808</u>
TAP CONNECTIONS	<u>\$ 1,627</u>
SOLID WASTE DISPOSAL	<u>\$ 452,412</u>
OTHER EXPENDITURES:	
Chemicals	\$ 152,297
Laboratory Fees	129,931
Permit Fees	15,612
Reconnection Fees	15,605
Inspection Fees	22,785
Regional Water Authority Assessments	583,926
Regulatory Assessment	9,556
Sludge Hauling	<u>58,160</u>
TOTAL OTHER EXPENDITURES	<u>\$ 987,872</u>
TOTAL EXPENDITURES	<u>\$ 5,237,481</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**INVESTMENTS**  
**DECEMBER 31, 2018**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0003	2.5304%	Daily	\$ 4,434,065	\$
TexSTAR	XXXX1000	2.5549%	Daily	9,562	
Certificate of Deposit	XXXX1384	0.8000%	04/18/19	210,709	1,203
Certificate of Deposit	XXXX3781	2.6500%	07/10/19	210,464	336
TOTAL GENERAL FUND				<u>\$ 4,864,800</u>	<u>\$ 1,539</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0012	2.5304%	Daily	\$ 805,108	\$
TexSTAR	XXXX2000	2.5549%	Daily	538,911	
TOTAL DEBT SERVICE FUND				<u>\$ 1,344,019</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u>\$ 6,208,819</u>	<u>\$ 1,539</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JANUARY 1, 2018	\$ 1,277,607		\$ 1,821,573	
Adjustments to Beginning				
Balance	<u>(2,342)</u>	\$ 1,275,265	<u>(3,339)</u>	\$ 1,818,234
Original 2018 Tax Levy	\$ 1,468,106		\$ 2,008,987	
Adjustment to 2018 Tax Levy	<u>54,027</u>	<u>1,522,133</u>	<u>73,932</u>	<u>2,082,919</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 2,797,398		\$ 3,901,153
TAX COLLECTIONS:				
Prior Years	\$ 1,262,346		\$ 1,797,012	
Current Year	<u>342,436</u>	<u>1,604,782</u>	<u>468,597</u>	<u>2,265,609</u>
TAXES RECEIVABLE -				
DECEMBER 31, 2018		<u>\$ 1,192,616</u>		<u>\$ 1,635,544</u>
TAXES RECEIVABLE BY				
YEAR:				
2018		\$ 1,179,697		\$ 1,614,322
2017		4,833		6,868
2016		2,069		2,956
2015		1,900		2,764
2014		864		1,375
2013		1,053		1,770
2012		800		1,726
2011 and prior		<u>1,400</u>		<u>3,763</u>
TOTAL		<u>\$ 1,192,616</u>		<u>\$ 1,635,544</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018	2017	2016	2015
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 154,044,958	\$ 146,596,146	\$ 139,660,657	\$ 129,972,109
Improvements	700,057,262	686,979,793	641,583,140	550,482,211
Personal Property	16,697,739	16,220,953	14,676,658	14,055,293
Exemptions	(69,932,600)	(65,139,261)	(63,600,856)	(56,297,205)
<b>TOTAL PROPERTY VALUATIONS</b>	<b>\$ 800,867,359</b>	<b>\$ 784,657,631</b>	<b>\$ 732,319,599</b>	<b>\$ 638,212,408</b>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.26	\$ 0.27	\$ 0.30	\$ 0.32
Maintenance**	0.19	0.19	0.21	0.22
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<b>\$ 0.45</b>	<b>\$ 0.46</b>	<b>\$ 0.51</b>	<b>\$ 0.54</b>
<b>ADJUSTED TAX LEVY*</b>	<b>\$ 3,605,052</b>	<b>\$ 3,610,092</b>	<b>\$ 3,735,473</b>	<b>\$ 3,447,183</b>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<b>22.50 %</b>	<b>99.68 %</b>	<b>99.87 %</b>	<b>99.86 %</b>

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

\*\* Maintenance Tax – An unlimited rate per \$100 of assessed valuation approved by voters on August 17, 1974.

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2018**

S E R I E S - 2 0 0 8

Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2019	\$ 225,000	\$ 59,513	\$ 284,513
2020	225,000	50,625	275,625
2021	225,000	41,625	266,625
2022	225,000	32,513	257,513
2023	225,000	23,287	248,287
2024	225,000	14,006	239,006
2025	225,000	4,669	229,669
2026			
2027			
2028			
2029			
2030			
	<u>\$ 1,575,000</u>	<u>\$ 226,238</u>	<u>\$ 1,801,238</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2018**

S E R I E S - 2 0 1 1

Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2019	\$ 145,000	\$ 81,669	\$ 226,669
2020	155,000	76,069	231,069
2021	165,000	70,868	235,868
2022	175,000	65,016	240,016
2023	185,000	58,491	243,491
2024	190,000	51,456	241,456
2025	200,000	43,900	243,900
2026	220,000	35,488	255,488
2027	230,000	26,206	256,206
2028	245,000	16,256	261,256
2029	260,000	5,525	265,525
2030			
	<u>\$ 2,170,000</u>	<u>\$ 530,944</u>	<u>\$ 2,700,944</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2018**

REFUNDING SERIES - 2013

Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2019	\$ 770,000	\$ 147,525	\$ 917,525
2020	755,000	132,275	887,275
2021	745,000	113,550	858,550
2022	740,000	89,425	829,425
2023	735,000	63,613	798,613
2024	730,000	37,975	767,975
2025	720,000	12,600	732,600
2026			
2027			
2028			
2029			
2030			
	<u>\$ 5,195,000</u>	<u>\$ 596,963</u>	<u>\$ 5,791,963</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2018**

S E R I E S - 2 0 1 5

Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2019	\$ 400,000	\$ 121,638	\$ 521,638
2020	400,000	113,636	513,636
2021	400,000	105,638	505,638
2022	400,000	97,637	497,637
2023	400,000	88,888	488,888
2024	400,000	79,387	479,387
2025	400,000	69,888	469,888
2026	450,000	59,231	509,231
2027	450,000	47,137	497,137
2028	450,000	34,200	484,200
2029	450,000	20,700	470,700
2030	465,000	6,975	471,975
	<u>\$ 5,065,000</u>	<u>\$ 844,955</u>	<u>\$ 5,909,955</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2018**

S E R I E S - 2 0 1 6

Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2019	\$ 150,000	\$ 26,375	\$ 176,375
2020	150,000	23,375	173,375
2021	150,000	20,375	170,375
2022	150,000	17,375	167,375
2023	150,000	14,375	164,375
2024	150,000	11,375	161,375
2025	150,000	8,375	158,375
2026	75,000	6,125	81,125
2027	75,000	4,438	79,438
2028	50,000	2,875	52,875
2029	50,000	1,625	51,625
2030	40,000	500	40,500
	<u>\$ 1,340,000</u>	<u>\$ 137,188</u>	<u>\$ 1,477,188</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2018**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 1,690,000	\$ 436,720	\$ 2,126,720
2020	1,685,000	395,980	2,080,980
2021	1,685,000	352,056	2,037,056
2022	1,690,000	301,966	1,991,966
2023	1,695,000	248,654	1,943,654
2024	1,695,000	194,199	1,889,199
2025	1,695,000	139,432	1,834,432
2026	745,000	100,844	845,844
2027	755,000	77,781	832,781
2028	745,000	53,331	798,331
2029	760,000	27,850	787,850
2030	505,000	7,475	512,475
	<u>\$ 15,345,000</u>	<u>\$ 2,336,288</u>	<u>\$ 17,681,288</u>

See accompanying independent auditor's report.

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**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**CHANGE IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Description	Original Bonds Issued	Bonds Outstanding January 1, 2018
Harris County Municipal Utility District No. 24 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2008	\$ 3,600,000	\$ 1,800,000
Harris County Municipal Utility District No. 24 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2011	2,880,000	2,305,000
Harris County Municipal Utility District No. 24 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2013	7,260,000	5,980,000
Harris County Municipal Utility District No. 24 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2015	5,465,000	5,465,000
Harris County Municipal Utility District No. 24 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2016	<u>1,490,000</u>	<u>1,490,000</u>
<b>TOTAL</b>	<b><u>\$ 20,695,000</u></b>	<b><u>\$ 17,040,000</u></b>
Debt Service Fund cash and investment balances as of December 31, 2018:		<u>\$ 1,872,872</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 1,473,441</u>

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding December 31, 2018</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 225,000	\$ 68,288	\$ 1,575,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	135,000	87,619	2,170,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	785,000	163,075	5,195,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	400,000	129,637	5,065,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	<u>150,000</u>	<u>29,375</u>	<u>1,340,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 1,695,000</u>	<u>\$ 477,994</u>	<u>\$ 15,345,000</u>	

<u>Bond Authority:</u>	<u>Tax Bonds*</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 57,120,000	\$
Amount Issued	<u>45,145,000</u>	
Remaining to be Issued	<u>\$ 11,975,000</u>	<u>\$ - 0 -</u>

\* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	Amounts		
	2018	2017	2016
<b>REVENUES</b>			
Property Taxes	\$ 1,492,761	\$ 1,558,572	\$ 1,406,438
Water Service	781,268	779,178	774,008
Wastewater Service	1,138,477	1,111,193	1,074,589
Tax Revenue from Other Government	28,803	29,265	25,638
Regional Water Authority Fees	1,643,551	1,508,269	1,264,669
Penalty and Interest	44,057	37,466	39,170
Tap Connection and Inspection Fees	14,930	316,210	103,390
Investment Revenues	138,448	87,300	62,403
Groundwater Credits			
Miscellaneous Revenues	33,474	32,109	40,612
<b>TOTAL REVENUES</b>	\$ 5,315,769	\$ 5,459,562	\$ 4,790,917
<b>EXPENDITURES</b>			
Professional Fees	\$ 212,491	\$ 229,006	\$ 169,005
Contracted Services	690,696	666,835	658,768
Purchased Water Service	1,108,833	1,089,062	892,886
Utilities	265,293	247,276	243,894
Regional Water Authority Assessments	583,926	457,322	390,428
Repairs and Maintenance	1,233,228	1,002,090	917,737
Sludge Hauling	58,160	45,250	24,443
Other	605,046	647,876	568,949
Capital Outlay	479,808	214,976	340,743
<b>TOTAL EXPENDITURES</b>	\$ 5,237,481	\$ 4,599,693	\$ 4,206,853
<b>NET CHANGE IN FUND BALANCE</b>	\$ 78,288	\$ 859,869	\$ 584,064
<b>BEGINNING FUND BALANCE</b>	4,050,085	3,190,216	2,606,152
<b>ENDING FUND BALANCE</b>	\$ 4,128,373	\$ 4,050,085	\$ 3,190,216

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 1,219,742	\$ 1,104,457	28.2 %	28.5 %	29.4 %	27.4 %	26.1 %
724,435	643,579	14.7	14.3	16.2	16.4	15.2
1,006,981	929,653	21.4	20.4	22.4	22.8	21.9
35,887	31,466	0.5	0.5	0.5	0.8	0.7
1,048,253	993,537	30.9	27.6	26.4	23.7	23.4
38,852	38,165	0.8	0.7	0.8	0.9	0.9
265,695	225,896	0.3	5.8	2.2	6.0	5.3
51,089	49,214	2.6	1.6	1.3	1.2	1.2
	71,894					1.7
33,948	152,937	0.6	0.6	0.8	0.8	3.6
<u>\$ 4,424,882</u>	<u>\$ 4,240,798</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 188,395	\$ 235,695	4.0 %	4.2 %	3.5 %	4.3 %	5.6 %
587,532	552,653	13.0	12.2	13.8	13.3	13.0
733,118	787,748	20.9	19.9	18.6	16.6	18.6
246,178	252,192	5.0	4.5	5.1	5.6	5.9
367,574	263,172	11.0	8.4	8.1	8.3	6.2
731,732	664,078	23.2	18.4	19.2	16.5	15.7
40,418	47,967	1.1	0.8	0.5	0.9	1.1
656,397	587,467	11.4	11.9	11.9	14.8	13.9
697,621	43,065	9.0	3.9	7.1	15.8	1.0
<u>\$ 4,248,965</u>	<u>\$ 3,434,037</u>	<u>98.6 %</u>	<u>84.2 %</u>	<u>87.8 %</u>	<u>96.1 %</u>	<u>81.0 %</u>
\$ 175,917	\$ 806,761	<u>1.4 %</u>	<u>15.8 %</u>	<u>12.2 %</u>	<u>3.9 %</u>	<u>19.0 %</u>
<u>2,430,235</u>	<u>1,623,474</u>					
<u>\$ 2,606,152</u>	<u>\$ 2,430,235</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2018	2017	2016
<b>REVENUES</b>			
Property Taxes	\$ 2,124,444	\$ 2,227,728	\$ 2,047,125
Penalty and Interest	33,919	34,288	28,411
Investment Revenues	25,375	12,486	4,895
Miscellaneous Revenues	2,964	6,198	1,511
<b>TOTAL REVENUES</b>	<b>\$ 2,186,702</b>	<b>\$ 2,280,700</b>	<b>\$ 2,081,942</b>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 88,522	\$ 92,724	\$ 90,259
Debt Service Principal	1,695,000	1,525,000	1,235,000
Debt Service Interest and Fees	481,794	514,988	775,022
Bond Issuance Costs			
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,265,316</b>	<b>\$ 2,132,712</b>	<b>\$ 2,100,281</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (78,614)</b>	<b>\$ 147,988</b>	<b>\$ (18,339)</b>
<b>BEGINNING FUND BALANCE</b>	<b>1,357,385</b>	<b>1,209,397</b>	<b>1,227,736</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 1,278,771</b>	<b>\$ 1,357,385</b>	<b>\$ 1,209,397</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>3,220</b>	<b>3,220</b>	<b>3,204</b>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>3,178</b>	<b>3,177</b>	<b>3,155</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 1,941,791	\$ 1,861,474	97.1 %	97.7 %	98.3 %	98.4 %	98.1 %
28,788	36,450	1.6	1.5	1.4	1.5	1.9
1,030	513	1.2	0.5	0.2	0.1	
	79	0.1	0.3	0.1		
<u>\$ 1,971,609</u>	<u>\$ 1,898,516</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 85,831	\$ 83,105	4.0 %	4.1 %	4.3 %	4.4 %	4.4 %
1,650,000	1,660,000	77.5	66.9	59.3	83.7	87.4
432,175	440,165	22.0	22.6	37.2	21.9	23.2
<u>\$ 2,168,006</u>	<u>\$ 2,183,270</u>	<u>103.5 %</u>	<u>93.6 %</u>	<u>100.8 %</u>	<u>110.0 %</u>	<u>115.0 %</u>
\$ (196,397)	\$ (284,754)	<u>(3.5) %</u>	<u>6.4 %</u>	<u>(0.8) %</u>	<u>(10.0) %</u>	<u>(15.0) %</u>
<u>1,424,133</u>	<u>1,708,887</u>					
<u>\$ 1,227,736</u>	<u>\$ 1,424,133</u>					
<u>3,112</u>	<u>2,909</u>					
<u>3,077</u>	<u>2,874</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**DECEMBER 31, 2018**

District Mailing Address - Harris County Municipal Utility District No. 24  
c/o Strawn & Richardson, PC  
6750 West Loop South, Suite 865  
Bellaire, TX 77401-4103

District Telephone Number - (713) 864-5466

<b>Board Members</b>	Term of Office (Elected or <u>Appointed</u> )	Fees of Office for the year ended <u>December 31, 2018</u>	Expense Reimbursements for the year ended <u>December 31, 2018</u>	<u>Title</u>
Dennis L. Cormier	11/16 11/20 (Elected)	\$ 6,900	\$ 2,733	President
Ruben Gonzales, Jr.	11/16 11/20 (Elected)	\$ 6,900	\$ 2,035	Vice President
Peggy A. Winters	11/18 11/22 (Elected)	\$ 5,400	\$ 2,712	Secretary
Rick C. Corbin	11/16 11/20 (Elected)	\$ 6,750	\$ 1,749	Assistant Secretary
Marcia Fitzpatrick	10/18 11/22 (Elected)	\$ 4,950	\$ 1,560	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):  
December 20, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on July 16, 2003. Fees of Office are the amounts paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**DECEMBER 31, 2018**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2018</u>	<u>Title</u>
Strawn & Richardson, PC	06/12/99	\$ 130,412	General Counsel/ Delinquent Tax Attorney/ Bond Counsel
		\$ 9,532	
		\$ -0-	
McCall Gibson Swedlund Barfoot PLLC	07/29/92	\$ 22,350	Auditor
ETI Bookkeeping Services	07/03/74	\$ 15,111	Bookkeeper
Eby Engineers, Inc.	03/21/90	\$ 169,700	Engineer
Hilltop Securities Inc.	08/19/92 – 05/02/18	\$ 2,500	Former Financial Advisor
Masterson Advisors LLC	05/02/18	\$ -0-	Financial Advisor
Kenneth Byrd	03/24/03	\$ -0-	Investment Officer
Hays Utility South Corporation	02/01/77	\$ 1,796,237	Operator
Christy Taylor	02/04/04	\$ 3,300	Recording Secretary
Equi-Tax Inc.	07/03/74	\$ 48,904	Tax Assessor/ Collector

See accompanying independent auditor's report.



**APPENDIX B**

**Specimen Municipal Bond Insurance Policy**



## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

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

## APPENDIX C

### Accreted Values of Premium Compound Interest Bonds

<u>Date</u>	<u>Capital Appreciation Bond 1.76% 3/1/2022</u>
10/29/2019	4,799.20
3/1/2020	4,827.80
9/1/2020	4,870.25
3/1/2021	4,913.10
9/1/2021	4,956.35
3/1/2022	5,000.00

**APPENDIX D**

**Form of Opinion of Special Tax Counsel**

October 29, 2019

We have acted as Special Tax Counsel in connection with the issuance and sale by the Harris County Municipal Utility District No. 24 (the "Issuer") of \$2,245,000\* aggregate principal amount of its Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2019 (the "Bonds").

In connection with the issuance of the Bonds, we have reviewed the following:

- (a) the Bond Orders of the Issuer authorizing the issuance and sale of the outstanding bonds refunded with the proceeds of the Bonds;
- (b) the Bond Order and Pricing Certificate of the Issuer authorizing the issuance and sale of the Bonds;
- (c) schedules prepared by, and representations of, Masterson Advisors LLC and Robert W. Baird & Co., Inc. with respect to the refunding of the outstanding bonds, including the issue price and yield of the Bonds;
- (d) the opinion of Public Finance Partners LLC dated as of the date of this opinion with respect to the verification of the mathematical accuracy of certain computations including the yield of the Bonds;
- (e) the Federal Tax Certificate of the Issuer dated as of the date of this opinion;
- (f) the opinion of Strawn & Richardson, P.C. as Bond Counsel dated as of the date of this opinion;
- (g) covenants of the Issuer regarding the use of the facilities refinanced with the proceeds of the Bonds and the use and investment of the proceeds of the Bonds and other funds of the Issuer; and
- (h) such other documents as we deem relevant and necessary in rendering this opinion.

IN OUR OPINION, except as discussed below, the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code").

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\* Preliminary, subject to change.



IN RENDERING THIS OPINION, we have relied upon the opinion of Strawn & Richardson, P.C. referred to in subparagraph (f) above for authority that the Bonds are validly issued under applicable state and local laws and are payable from the proceeds of ad valorem taxes levied, without legal limit as to rate or amounts, on all taxable property located within the Issuer; and the representations, opinion, certificate and covenants referred to in subparagraphs (c), (d), (e) and (g) above. We call your attention to the fact that failure by the Issuer to comply with the covenants referred to in subparagraph (g) may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds.

Respectfully yours,