

OFFICIAL STATEMENT DATED NOVEMBER 6, 2019

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

THE DISTRICT HAS DESIGNATED THE BONDS AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS” HEREIN.

NEW ISSUE-Book-Entry-Only

Insured Rating (AGM): S&P “AA” (stable outlook)
 Underlying Rating: S&P “A” (stable outlook)
 See “MUNICIPAL BOND RATING” and
 “MUNICIPAL BOND INSURANCE” herein.

\$7,885,000
RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Montgomery County)
UNLIMITED TAX REFUNDING BONDS
SERIES 2019

The bonds described above (the “Bonds”) are obligations solely of Rayford Road Municipal Utility District (the “District”) and are not obligations of the State of Texas, Montgomery County, the City of Houston, the City of Conroe, or any entity other than the District.

Interest Accrues from: December 1, 2019

Due: March 1, as shown below

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the “Paying Agent/Registrar”) upon surrender of the Bonds for payment. Interest on the Bonds accrues from December 1, 2019, and is payable each March 1 and September 1, commencing March 1, 2020, until maturity or prior redemption. The Bonds will be issued only in fully registered form. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. See “MUNICIPAL BOND INSURANCE” herein.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)	Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)
2020	\$ 85,000	3.00 %	1.46	754632 PK7	2025	\$ 1,300,000	3.00 %	1.88	754632 PQ4
2021	20,000	3.00	1.50	754632 PL5	***	***	***	***	***
2022	145,000	3.00	1.55	754632 PM3	2028	780,000 (b)	2.25	2.37	754632 PT8
2023	1,305,000	3.00	1.66	754632 PN1	2029	765,000 (b)	2.25	2.43	754632 PU5
2024	1,285,000	3.00	1.78	754632 PP6					

\$2,200,000 Term Bonds due March 1, 2027 (b), 754632 PS0 (c), 3.00% Interest Rate, 2.00% Yield (a)

- (a) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. Accrued interest from December 1, 2019 is to be added to the price.
- (b) Bonds maturing on or after March 1, 2027 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 thereon to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
- (c) 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.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. THE PURCHASE AND OWNERSHIP OF THE BONDS 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 Initial Bond by the Attorney General of Texas and the approval of certain legal matters by Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel to the District. 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 December 10, 2019.

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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, audits, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas, 77019 upon payment of the costs for duplication thereof.

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 condition 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 of the Bonds, unless the Underwriter notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

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.

HURRICANE HARVEY

GeneralThe 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.

Impact on the District.....To the best knowledge of the District, the District's System (as defined herein) did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. The District was not notified of any structural flooding or other material damage to homes or commercial businesses 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.”

THE DISTRICT

Description.....The District is a political subdivision of the State of Texas created by the Texas Legislature on May 6, 1969. The District contains approximately 1,314 acres of land. The District is authorized to provide waterworks, sanitary sewage collection and treatment and drainage facilities to the land within its boundaries. Outfall drainage in the District is being provided by Montgomery County Drainage District No. 6 (“DD No. 6”) and Montgomery County Drainage District No. 10 (“DD No. 10”). See “THE DISTRICT—Storm Sewer and Drainage System.”

LocationThe District is located in southern Montgomery County, Texas between the cities of Houston and Conroe, approximately 30 miles north of downtown Houston, and 8 miles south of Conroe, Texas. Most of the District is within the extraterritorial jurisdiction of the City of Houston, and the balance of the District is within the extraterritorial jurisdiction of the City of Conroe. Approximately 976 acres of land in the District are located within the boundaries of DD No. 6, and the remaining approximately 338 acres of land are located within the boundaries of DD No. 10. See “THE DISTRICT.”

Status of Development.....Development of the District began in 1979. Approximately 1,124 acres of land within the District have been developed as the primarily single family residential subdivisions of Imperial Oaks, Sections 1 through 12 and 14; Imperial Oaks Village, Sections 1 through 3; Mapled Estates; Imperial Oaks Estates, Sections 1 through 4; Imperial Oaks Park, Sections 1 through 11; Enclave at Imperial Oaks; Imperial Oaks Forest, Sections 1 and 2 and Imperial Lakes, Section 1 (collectively, 3,659 single family lots). As of August 31, 2019, 3,659 homes were constructed on all lots within the District (3,643 homes occupied). Based on the 2019 tax rolls, the average home price is approximately \$200,000.

The following commercial businesses are also located in the District: a day care center, a community center, and a strip shopping center (Imperial Oaks Plaza) that includes a Signature Kroger with a gas station, a Burger King, a Subway, a Little Caesars, three banks, an ACE Hardware, and other service/retail businesses. Approximately 40 acres in the District have been developed or restricted for parks, recreation and open spaces and approximately 150 acres consist of pipeline easements, drainage easements, streets, rights-of-way, wetlands, and a waste disposal site. There is no remaining developable acreage in the District. See “THE DISTRICT.”

Payment RecordThe District has previously issued eleven series of waterworks and sewer system combination unlimited tax and revenue bonds, one series of unlimited tax bonds, and eight series of unlimited tax refunding bonds. The District currently has \$15,910,000 principal amount of such bonds outstanding (the “Outstanding Bonds”) as of October 1, 2019. The District has never defaulted in the timely payment of any previously issued bonds.

THE BONDS

The IssuerRayford Road Municipal Utility District (the “District”), a political subdivision of the State of Texas, is located in Montgomery County, Texas. See “THE DISTRICT.”

The IssueRayford Road Municipal Utility District \$7,885,000 Unlimited Tax Refunding Bonds, Series 2019 (the “Bonds”) dated December 1, 2019. The Bonds mature serially on March 1 in each of the years from 2020 through 2025, both inclusive, and 2028 through 2029, both inclusive, and as term bonds on March 1, 2027 (the “Term Bonds”) in the principal amounts and bear interest at the rates for each maturity shown on the cover page. Interest on the Bonds accrues from December 1, 2019 and will be payable on March 1 and September 1 of each year commencing on March 1, 2020 (three months’ interest) until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple thereof. See “THE BONDS.”

Redemption.....Bonds maturing on March 1, 2027 and thereafter are subject to redemption, in whole or, from time to time in part, at the option of the District, prior to their maturity date, on March 1, 2025 or any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. If less than all of the Bonds of a given maturity are to be redeemed, the particular Bonds to be redeemed shall be selected on behalf of the District by the Paying Agent/Registrar by random method (or while the Bonds are in Book-Entry-Only form, by DTC in accordance with its procedures). The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

Book-Entry-Only SystemThe 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 ProceedsProceeds from the sale of the Bonds will be used to refund and defease \$7,805,000 principal amount of the District’s Outstanding Bonds in order to achieve annual and 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 the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District described herein. The Bonds are obligations of the District and are not obligations of Montgomery County, the City of Houston, the City of Conroe, the State of Texas or any entity other than the District. See “THE BONDS—Source of Payment.”

<i>Municipal Bond Insurance and Municipal Bond Rating</i>	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”). S&P has also assigned an underlying rating of “A” (stable outlook) to the Bonds. An explanation of the ratings may be obtained from S&P. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”
<i>Qualified Tax-Exempt Obligations</i>	In the Bond Order, the District has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986. See “TAX MATTERS—Qualified Tax-Exempt Obligations for Financial Institutions.”
<i>Bond Counsel</i>	Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas.
<i>Financial Advisor</i>	Masterson Advisors LLC, Houston, Texas.
<i>Underwriter’s Counsel</i>	McCall Parkhurst & Horton, L.L.P., Houston, Texas.
<i>Escrow Agent</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.
<i>Verification Agent</i>	Public Finance Partners LLC, Rockford, Minnesota.
<i>Investment Considerations</i>	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.”

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SELECTED FINANCIAL INFORMATION (UNAUDITED)

2019 Taxable Assessed Valuation	\$739,523,915 (a)
Gross Direct Long-Term Debt Outstanding	\$15,990,000 (b)
Estimated Overlapping Debt	<u>33,734,136 (c)</u>
Gross Direct Long-Term Debt and Estimated Overlapping Debt	\$49,724,136
Ratio of Gross Direct Long-Term Debt to 2019 Taxable Assessed Valuation.....	2.16%
Ratio of Gross Direct Long-Term Debt and Overlapping Debt to 2019 Taxable Assessed Valuation.....	6.72%
Debt Service Fund Balance as of October 14, 2019	\$1,118,794
Operating Fund Balance as of October 14, 2019.....	\$2,916,104
2019 Debt Service Tax Rate	\$0.35
2019 Maintenance Tax Rate.....	<u>0.15</u>
2019 Total Tax Rate	\$0.50
Average Annual Debt Service Requirement (2020-2029)	\$1,789,405 (d)
Maximum Annual Debt Service Requirement (2020)	\$2,514,398 (d)
Tax Rate Required to Pay Average Annual Debt Service (2020-2029) at a 95% Collection Rate Based upon 2019 Taxable Assessed Valuation	\$0.26 /\$100 A.V. (e)
Tax Rate Required to Pay Maximum Annual Debt Service (2020) at a 95% Collection Rate Based upon 2019 Taxable Assessed Valuation	\$0.36 /\$100 A.V. (e)
Water and Sewer Connections as of August 31, 2019 (f):	
Completed Homes - Occupied	3,643
Completed Homes - Vacant	16
Commercial Connections	11
Other Connections (Irrigation, School and Civic Club).....	173
Estimated Population	12,751 (g)

- (a) The Montgomery Central Appraisal District (the “Appraisal District”) has certified \$692,739,279 of taxable value and an additional \$46,784,636 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 “TAXING PROCEDURES.”
- (b) After the refunding of the Refunded Bonds and the issuance of the Bonds. See “FINANCIAL STATEMENT—Outstanding Bonds.”
- (c) See “ESTIMATED OVERLAPPING DEBT STATEMENT.”
- (d) See “DEBT SERVICE REQUIREMENTS.”
- (e) See “TAX DATA—Tax Adequacy for Debt Service” and “INVESTMENT CONSIDERATIONS—Impact on District Tax Rates.”
- (f) See “THE DISTRICT—Status of Development.”
- (g) Based upon 3.5 residents per occupied single-family residence.

OFFICIAL STATEMENT

\$7,885,000

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

(A political subdivision of the State of Texas located within Montgomery County)

UNLIMITED TAX REFUNDING BONDS, SERIES 2019

This Official Statement provides certain information in connection with the issuance by Rayford Road Municipal Utility District (the “District”) of its \$7,885,000 Unlimited Tax 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, Texas Government Code, as amended, City of Houston Ordinance No. 97-416, an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”) and a refunding bond election held on May 18, 1991. See “THE BONDS—Authority for Issuance and Issuance of Additional Debt.”

This OFFICIAL STATEMENT includes descriptions of, among other things, 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 the District, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas, 77019 (“Bond Counsel”) upon payment of the costs of duplication thereof.

PLAN OF FINANCING

Purpose

At bond elections held within the District on June 13, 1981 and November 2, 2010, voters of the District authorized the issuance of \$43,350,000 principal amount of unlimited tax bonds and/or waterworks and sewer system combination unlimited tax and revenue bonds for water, sewer and drainage facilities, and at a bond election held within the District on May 18, 1991, voters of the District authorized the issuance of \$39,500,000 principal amount of unlimited tax refunding bonds. No unlimited tax bonds or waterworks and sewer system combination unlimited tax and revenue bonds for water, sewer and drainage facilities remain authorized but unissued and \$35,914,120 principal amount of unlimited tax refunding bonds remains authorized but unissued.

The District currently has \$15,910,000 principal amount of its bonds outstanding (the “Outstanding Bonds”). The proceeds of the Bonds will be used to currently refund and defease portions of the Unlimited Tax Refunding Bonds, Series 2011, Unlimited Tax Bonds, Series 2011A, Unlimited Tax Refunding Bonds, Series 2012, and the Unlimited Tax Refunding Bonds, Series 2013, totaling \$7,805,000 principal amount (the “Refunded Bonds”) in order to achieve a net savings in the District’s debt service expense. The proceeds will also be used to pay the costs of issuance of the Bonds. See “Sources and Uses of Funds.” A total of \$8,105,000 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 INFORMATION CONCERNING THE DISTRICT—Outstanding Bonds.”

Refunded Bonds

The principal amounts and maturity dates of the Refunded Bonds are set forth below:

Maturity Date	Series	Series	Series	Series
March 1	2011 Refunding	2011A	2012 Refunding	2013 Refunding
2021	\$ -	\$ -	\$ -	\$ -
2022	125,000 (a)	-	-	-
2023	125,000 (a)	-	760,000	405,000
2024	-	400,000	375,000	500,000
2025	-	400,000	390,000	510,000
2026	-	600,000	-	510,000
2027	-	600,000	-	505,000
2028	-	800,000	-	-
2029	-	800,000	-	-
	<u>\$ 250,000</u>	<u>\$ 3,600,000</u>	<u>\$ 1,525,000</u>	<u>\$ 2,430,000</u>
Redemption Date:	12/12/2019	12/12/2019	3/1/2020	12/12/2019

(a) Represents sinking fund payments on term bonds in the total principal amount of \$250,000 scheduled to mature on March 1, 2023.

Escrow Agreement and Defeasance of Refunded Bonds

The Refunded Bonds and the interest due thereon, are to be paid on each principal or interest payment date and on the redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “Escrow Agent”).

The Bond Order provides that the District and the Escrow Agent will enter into an escrow agreement (the “Escrow Agreement”) to provide for the discharge and defeasance of the Refunded Bonds. The Bond Order further provides that from the proceeds of the sale of the Bonds and other available funds of the District the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the “Escrow Fund”) and used to purchase United States Treasury Obligations or other investments authorized by Chapter 1207, Texas Government Code (the “Escrowed Securities”). At the time of delivery of the Bonds, Public Finance Partners LLC will verify to the District, the Escrow Agent and the Underwriter that the Escrowed Securities are sufficient in principal amount and are scheduled to mature at such times and to yield interest in such amounts, together with uninvested funds in the Escrow Fund, to pay, when due, the principal of and interest on the Refunded Bonds. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.” Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds. By the deposit of the Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, 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 securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of amounts so deposited, and the amounts so deposited and invested in the Escrow Fund 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, exclusive of accrued interest, will be applied as follows:

Sources of Funds:

Principal Amount of the Bonds	\$7,885,000.00
Plus: Net Premium on the Bonds.....	<u>285,794.40</u>
Total Sources of Funds.....	\$8,170,794.40

Uses of Funds:

Deposit to Escrow Fund	\$7,892,954.39
Issuance Expenses and Underwriters’ Discount (a).....	<u>277,840.01</u>
Total Uses of Funds.....	\$8,170,794.40

(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 (\$7,805,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Less: Debt Service on the Refunded Bonds	Plus: Debt Service on the Bonds			Total Debt Service Requirements
			Principal	Interest	Total	
2020	\$ 2,546,927	\$ 284,975	\$ 85,000	\$ 167,447	\$ 252,447	\$ 2,514,398
2021	2,481,340	284,975	20,000	222,113	242,113	2,438,477
2022	2,464,372	407,475	145,000	219,638	364,638	2,421,535
2023	2,203,927	1,545,694	1,305,000	197,888	1,502,888	2,161,121
2024	1,774,098	1,483,788	1,285,000	159,038	1,444,038	1,734,348
2025	1,741,219	1,462,575	1,300,000	120,263	1,420,263	1,698,907
2026	1,496,560	1,229,450	1,105,000	84,188	1,189,188	1,456,298
2027	1,441,164	1,185,456	1,095,000	51,188	1,146,188	1,401,896
2028	1,095,372	846,000	780,000	25,988	805,988	1,055,360
2029	1,053,602	815,500	765,000	8,606	773,606	1,011,708
Total	\$ 18,298,580	\$ 9,545,888	\$ 7,885,000	\$ 1,256,353	\$ 9,141,353	\$ 17,894,045

Maximum Annual Debt Service Requirement (2020) \$2,514,398
Average Annual Debt Service Requirement (2020-2029) \$1,789,405

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

The Bonds are dated December 1, 2019 and mature on March 1 in each of the years and in the principal amounts shown on the cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1 and September 1, commencing March 1, 2020 (three months' interest). The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, 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 "Book-Entry- Only System" herein.

In the event the Book-Entry-Only System is discontinued, interest on the Bonds will be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

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."

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system is 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 therefore 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.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the District and Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the District or the Paying Agent/Registrar in connection therewith.

If any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become payable, the District in its discretion may, instead of issuing a replacement Bond, authorize the Paying Agent/Registrar to pay such Bond.

Each replacement Bond delivered in accordance with this Section shall be entitled to the benefits and security of the Bond Order to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

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

Mandatory Redemption: The Bonds maturing on March 1, 2027 (the “Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), on March 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below):

\$2,200,000 Term Bonds	
Due March 1, 2027	
Mandatory Redemption Date	Principal Amount
2026	\$ 1,105,000
2027 (maturity)	1,095,000

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

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on and after March 1, 2027, 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 on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

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

Source of Payment

The Bonds, when issued, will constitute valid and binding obligations of the District and be payable as to principal and interest from and are secured by the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy a tax sufficient to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of levy and collection, Paying Agent/Registrar and Appraisal District fees. Tax proceeds, after deduction of collection costs, will be placed in the Debt Service Fund (as defined in the Bond Order) and used solely to pay principal of and interest on the Bonds and the Remaining Outstanding Bonds, and on any additional bonds issued by the District payable from taxes which may be levied. See “TAX DATA.”

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

Funds

The Bond Order confirms the establishment of the District's Debt Service Fund. The Debt Service Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds, the Remaining Outstanding Bonds, and any of the District's duly authorized additional bonds, together with interest thereon, as such becomes due. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Remaining Outstanding Bonds, and any additional bonds.

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

Authority for Issuance and Issuance of Additional Debt

The Bonds are issued pursuant to the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, City of Houston Ordinance 97-416, and Chapter 1207 of the Texas Government Code, as amended.

The Bonds are the ninth series of bonds issued out of an aggregate of \$39,500,000 principal amount of unlimited tax refunding bonds authorized by the District's voters on May 18, 1991 for the purpose of refunding outstanding bonds of the District. After issuance of the Bonds, the District will have \$35,914,120 principal amount in authorized but unissued refunding bonds.

At an election held by the District on June 13, 1981, District voters authorized the issuance of \$39,500,000 principal amount waterworks and sewer system combination unlimited tax and revenue bonds, none of which remains authorized but unissued. At an election on November 2, 2010, District voters authorized the issuance of \$3,850,000 principal amount unlimited tax bonds for water, sewer and drainage facilities, none of which remains authorized but unissued. The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the District (if authorized by the District's voters). Any additional bonds issued by the District may be on a parity with the Bonds.

The Board is further empowered to borrow money for any lawful purpose and to issue bond anticipation notes, tax anticipation notes, and revenue bonds and notes.

The District expressly reserves the right to issue in one or more installments the following: (1) bonds payable solely from net revenues of the District's System (hereinafter defined) for the purpose of completing, repairing, improving, extending, enlarging or replacing the System, and such bonds may be payable from and equally secured by a lien on and pledge of net revenues on a parity with the pledge on any previously issued bonds secured by net revenues to the extent net revenues are used to pay the principal of and interest on such bonds; (2) inferior lien bonds which pledge the net revenues of the System to the payment thereof, such pledge to be subordinate in all respects to the lien of previously issued revenue bonds and any previously issued or subsequently issued bonds which are on a parity with the Bonds; (3) special project bonds for the purchase, construction, improvement, extension, replacement, enlargement or repair of water, sewer and/or drainage facilities necessary under a contract or contracts with persons, corporations, municipal corporations, political subdivisions or other entities, such special project bonds to be payable from and secured by the proceeds of such contract or contracts; and (4) any other evidence of indebtedness authorized by law.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or an amount greater than the estimated cost of the plan, whichever amount is smaller; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; and (v) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. The issuance of such bonds is subject to rules and regulations adopted by the Commission. At this time, the District's voters have not authorized the issuance of bonds to support for recreational facilities.

The District is authorized by law to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation or reclamation districts, and to issue bonds payable from an ad valorem tax to finance such facilities, after approval by the City of Houston, the City of Conroe, the Texas Commission on Environmental Quality (the "Commission" or the "TCEQ") and voters of the District. The District has not considered calling such an election at this time.

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the Commission for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the Commission, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the Commission for "road powers" nor calling such an 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 as follows: (i) by paying or causing to pay principal and interest due on the Bonds (whether at maturity, redemption or otherwise) in accordance with the terms of the Bonds; (ii) 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 (iii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, or with a commercial bank or trust company designated in the proceedings authorizing the discharge amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (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 or payment 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 and Consolidation

Most of the land within the District is located within the extraterritorial jurisdiction ("ETJ") of the City of Houston, and the balance of land within the District is located within the ETJ of the City of Conroe. Under Texas law, the land within a district that is within the ETJ of a city may be annexed by that city without the consent of the district. In addition, under newly enacted legislation, neither city can annex portions of the District in its ETJ unless (i) such annexation is 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. In the event of such annexation of a portion of the District either by the City of Houston or the City of Conroe, there is no provision in the law for either city to dissolve the District or assume the District's obligations following annexation, and the District would retain the obligation to make debt service payments on the Bonds if annexation should occur.

A district (such as 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, with the assets of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation.

Strategic Partnership Agreement

Texas law authorizes the District to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which 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 limited purposes by the City of Houston. Although the City of Houston has negotiated and entered into such agreements with several other districts in its ETJ, none is currently contemplated with respect to the District. No representation can be made regarding the future likelihood of an agreement or the terms thereof.

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.”

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.

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.

THE DISTRICT

General

The District, located in Montgomery County, Texas, was created by the Texas Legislature on May 6, 1969, as a water control and improvement district. On April 26, 1973, the Texas Water Rights Commission, predecessor to the Commission, converted the District into a municipal utility district, and the District is currently operating under and governed by Chapters 49 and 54, Texas Water Code.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and the collection of solid waste. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District also is empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the City of Houston, the City of Conroe, the Commission and the voters of the District. The District has the power to contract for peace officers to prevent or abate the commission of certain offenses against the rules of the District and the laws of the State of Texas. The District is authorized by statute to develop parks and recreational facilities. Additionally, the District may develop and finance roads, subject to certain limitations and the granting of road powers by the Commission.

The Commission exercises continuing supervisory jurisdiction over the District. Construction and operation of the District's water, sewer and storm drainage system (the "System") is subject to the regulatory jurisdiction of the City of Houston, as to facilities located within the City of Houston ETJ, and of additional State of Texas agencies. See "THE SYSTEM—Regulation."

Description and Location

The District contains approximately 1,314 acres. The District is located approximately 30 miles north of the central downtown business district of the City of Houston and eight miles south of the City of Conroe and lies within the boundaries of the Conroe Independent School District. Access to the District from Houston is currently provided by Interstate Highway 45 or the Hardy Toll Road to Rayford Road.

Status of Development

Development of the District began in 1979. Approximately 1,124 acres of land within the District have been developed as the primarily single family residential subdivisions of Imperial Oaks, Sections 1 through 12 and 14, Imperial Oaks Village, Sections 1 through 3, Mapled Estates, Imperial Oaks Estates, Sections 1 through 4, Imperial Oaks Park, Sections 1 through 11, Enclave at Imperial Oaks, Imperial Oaks Forest, Sections 1 and 2 and Imperial Lakes, Section 1 (collectively, 3,659 single family lots). As of August 31, 2019, homes were constructed on all lots within the District (3,643 homes occupied). Based on the 2019 tax rolls, the average home price is approximately \$200,000.

In addition to residential development, the District has various small commercial properties, including a day care center, a community center, and a strip shopping center (Imperial Oaks Plaza) that includes a Signature Kroger with a gas station, a Burger King, a Subway, a Little Caesars, three banks, an ACE Hardware, and other service/retail businesses. Approximately 40 acres in the District have been developed or restricted for parks, recreation and open spaces and approximately 150 acres consist of pipeline easements, drainage easements, streets, rights-of-way, wetlands, and a waste disposal site. There is no remaining developable acreage in the District.

Storm Sewer and Drainage System

Approximately 976 acres of land in the District are located within the boundaries of Montgomery County Drainage District No. 6 ("DD No. 6"). DD No. 6 is a conservation and reclamation district initially created by the Montgomery County Commissioners Court to construct and maintain a series of storm sewers and drainage channels to provide area-wide outfall drainage within the Sam Bell Gully watershed. The District is partially within the drainage area served by the DD No. 6 system, and DD No. 6's Channel III D & F receive drainage from all developed areas of the District, except Imperial Oaks Park, Sections 6 through 11, Imperial Oaks Forest, Sections 1 and 2, Enclave at Imperial Oaks and a portion of Imperial Lakes Section 1. DD No. 6 levies annual ad valorem taxes on all taxable property within its boundaries, including 976 acres of land in District, to provide funds for maintenance of the drainage system and pay debt service on DD No. 6's outstanding bonds.

The remaining land in the District, approximately 338 acres, is located within the boundaries of Montgomery County Drainage District No. 10 ("DD No. 10"). DD No. 10 is a conservation and reclamation district created by the Montgomery County Commissioners Court to construct and maintain drainage channels and stormwater detention facilities to provide outfall drainage within the Woodsons Gully watershed and the White Oak Creek watershed. DD No. 10 Facilities receive drainage from Imperial Oaks Park, Sections 6 through 11, Imperial Oaks Forest, Sections 1 and 2, Enclave at Imperial Oaks, and a portion of Imperial Lakes, Section 1. DD No. 10 levies annual ad valorem taxes on all taxable property within its boundaries, including the 338 acres of land in the District, to provide funds for maintenance of the drainage system.

Community Facilities

The Imperial Oaks Park is a 40-acre recreational facility with amenities including a paved jogging trail, a wetlands nature area with observation decks, a picnic pavilion and various playground facilities. The District also operates and maintains soccer fields and T-ball fields. The Imperial Oaks Recreation Center is also located within the District and includes a swimming pool, bath house, and related facilities. Numerous neighborhood shopping facilities are located along Interstate 45 near the District and regional shopping facilities, including The Woodlands Mall, are located within a few miles of the District. The Conroe Independent School District has constructed 19 elementary schools, 7 intermediate schools, 5 junior high schools and 4 high schools to service the area within its boundaries, including the District.

Police protection is provided by the Montgomery County Constable's Office. The District also has an interlocal agreement with Montgomery County for supplemental law enforcement services provided by the Precinct No. 3 Constable. Fire protection is provided by the Montgomery County Emergency Services District No. 8. Medical care for District residents is available from Memorial Hermann The Woodlands Hospital, approximately four miles north of the District.

Waste Disposal Site

During original construction of DD No. 6's drainage Channel III-D in 1980, the contractor excavated a portion of an abandoned, unmarked waste disposal site within the boundaries of the District. The site, containing approximately 17.46 acres, located in an old oil field and adjacent to the Union Pacific Railroad right-of-way, was examined by the Texas Department of Water Resources, predecessor to the Commission (the "Department"), and at the Department's request, various engineering surveys and testing procedures were performed on waste materials at the site. The waste materials were found to be nontoxic, nonhazardous chemical waste materials that had been dumped into trenches on the site at undetermined times ten or more years prior to the drainage ditch construction. At the direction of the Department, DD No. 6, with participation of DD No. 6's engineers and contractor, the current and former owners of the site and certain adjoining property, and Rohm and Haas Texas Incorporated ("Rohm and Haas"), a chemical manufacturer located in Deer Park, Texas, conducted a series of tests of water in the drainage channel and of groundwater at locations around the site. The water and ground water were found not to be contaminated with any materials from the waste site. Under further direction of the Department, DD No. 6 and the other parties provided funds for construction of a permanent clay-lined containment pit at the site, and all waste materials that had been excavated and that could be collected from the area were placed into the containment pit. The pit was then backfilled, seeded and fenced, and following an inspection by the Department, the containment measures were approved.

In 1999 Rohm & Haas secured approval from the Commission and other agencies having jurisdiction and accomplished a voluntary cleanup program in which all waste materials were excavated from the site and hauled to a licensed disposal facility. The site was then backfilled with clean soil that was free from trash, debris, roots or other organic matter, and the site was returned to its natural grade. A series of test wells for sampling groundwater were installed around the site for future monitoring in accordance with the voluntary cleanup program. The site continues to be subject to Commission oversight and remains undeveloped.

MANAGEMENT OF THE DISTRICT

Directors and Officers

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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jon Vallery	President	May 2022
Frank Moore	Vice President	May 2020
Charles Saxe, Jr.	Secretary	May 2020
Glenn Kourik	Director	May 2022
James Ridgway, Jr.	Director	May 2022

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

Tax Appraiser

The Montgomery Central Appraisal District has the responsibility of appraising taxable property within Montgomery County, Texas, including property within the District. See “TAXING PROCEDURES.”

Tax Assessor/Collector

The Montgomery County Tax Assessor/Collector serves as Tax Assessor/Collector for the District.

Engineer

The District’s consulting engineer is IDS Engineering Group (the “Engineer”).

Bookkeeper

The District has contracted with Myrtle Cruz, Inc. for bookkeeping services.

Utility System Operator

The District contracts with Municipal Operations & Consulting for maintenance and operation of the District's system and parks.

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District’s financial statements annually, which annual audit is filed with the Commission. The District’s audited financial statements for the year ended May 31, 2019, were prepared by McCall Gibson Swedlund Barfoot PLLC. See “APPENDIX A” for a copy of the District’s May 31, 2019 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 has engaged Smith, Murdaugh, Little & Bonham, L.L.P. as general counsel to the District and as Bond Counsel in connection with the issuance of the Bonds.

THE SYSTEM

Regulation

Construction and operation of the District's water, sewer and storm drainage facilities as they now exist or as they may be expanded from time-to-time is subject to regulatory jurisdiction of several state and local authorities. The Commission exercises continuing supervisory authority over the District. Montgomery County and the City of Houston also exercise regulatory jurisdiction over the System. A portion of the District is also located in the ETJ of the City of Conroe, but that city does not review plans because the land is outside their planning area. In addition, the Lone Star Groundwater Conservation District, a groundwater conservation district, is responsible for regulation of groundwater supplies in Montgomery County, including the District’s water wells.

Water Supply

The District is served by Water Plant No. 1, Water Plant No. 2, and a 1,000 gpm remote well that serves Water Plant No. 2. Water Plant No. 1 consists of a 1,026-gpm well and pump, 6400,000 gallons of ground storage tank capacity, 2,600 gpm of booster pump capacity and 30,000 gallons of pressure tank capacity. Water Plant No. 2 consists of a 1,176-gpm well and pump, 856,000 gallons of ground storage capacity, 4,000 gpm of booster pump capacity, and 30,000 gallons of pressure tank capacity. According to the Engineer, the District’s water supply facilities are sufficient to serve approximately 3,987 equivalent single family connections, which is in accordance with the limitation imposed by the Commission in their letter dated April 10, 2017 approving the District’s request for an exemption to the requirement for elevated storage.

As of September 24, 2015, the District began receiving surface water from the San Jacinto River Authority in the first phase of implementation of its groundwater reduction plan. See “—San Jacinto River Authority GRP Agreement” herein.

The District has emergency water interconnects with Southern Montgomery County Municipal Utility District, Montgomery County Municipal Utility District No. 115, and Montgomery County Municipal Utility District No. 99 (“MUD 99”). All interconnects are normally closed but will be opened to allow one of the districts to receive water during an emergency that substantially reduces the production capability of the receiving district’s water supply system.

The Interconnect Agreement with MUD 99 also provided for construction of a bypass line and valves (the “Bypass Facilities”) in the interconnect facilities to enable either the District or MUD 99 to receive water temporarily in the event of an emergency. The Bypass Facilities are normally closed, but in an emergency, the Bypass Facilities may be opened to allow water to flow freely without passing through the metering equipment. In an emergency, either party may utilize the interconnect facilities by giving notice to the providing district and then opening the Bypass Facilities. The receiving district will pay the providing district for water received through the Bypass Facilities, including any pumpage fees levied by the Lone Star Groundwater Conservation District and the San Jacinto River Authority on water pumped from district wells.

Lone Star Groundwater Conservation District

The District is located within the boundaries of the Lone Star Groundwater Conservation District (the “Conservation District”) which was created by the Texas Legislature to conserve, protect and enhance the groundwater resources of Montgomery County. The Conservation District has adopted rules and a regulatory plan for the conservation, preservation, protection, recharge and prevention of waste of groundwater, groundwater reservoirs or their subdivisions and to control subsidence caused by the withdrawal of groundwater from those groundwater resources or their subdivisions.

The Conservation District initially required persons and entities, including the District, that pump groundwater from wells to apply for and obtain permits for the withdrawal of groundwater under terms and conditions provided in the Conservation District’s rules. The Conservation District adopted an initial District Regulatory Plan which called for the reduction of groundwater withdrawal throughout Montgomery County to volumes that do not exceed the recharge capabilities of aquifers in the County to prevent the long term depletion of the aquifers.

Large water users, including the District, were required to prepare and submit a two-part Water Resources Assessment Plan (“WRAP”) that identified methods and plans for reduction of groundwater usage through the development of alternate water resources, including the design and construction of infrastructure facilities to purchase and transport surface water to affected areas within the County. The initial requirement and deadline for reduction of groundwater use by 30% was January 1, 2016.

The District participated in a joint WRAP prepared by the San Jacinto River Authority as described below.

Upon passage of House Bill 1982 by the 85th Texas Legislature in 2017, the Conservation District board of directors was changed from a nine member appointed board to a seven member elected board. The first election was held on November 6, 2018, and the new board assumed office in on November 18, 2018. Since taking office the new board members have indicated that there will be major changes to the Conservation District’s approach to groundwater management.

In August of 2015, in City of Conroe, Texas et. al. vs. Richard J. Tram, et. al., filed in the 284th Judicial District Court, Montgomery County, Texas, the City of Conroe, Texas and various investor owned utilities sued the Conservation District and its Board of Directors claiming that the 2009 groundwater reduction requirements adopted by the Conservation District were beyond its legal authority and constitute an unconstitutional taking of the plaintiffs' water. In September 2018, the 284th Judicial District Court ruled that such groundwater reductions requirements were invalid. While the Conservation District initially appealed the ruling, the Conservation District approved a settlement offer with the plaintiffs on January 22, 2019. The settlement was accepted on January 24, 2019, and included the withdrawal of the Conservation District's appeal. On February 5, 2019, the Conservation District issued its notice of impending regulatory changes to comply with that judgment. In addition, in March of 2019, the Conservation District adopted an amended Groundwater Management Plan and submitted the plan to the Texas Water Development Board for review and approval in accordance with the requirements of Chapter 36 of the Texas Water Code. In May of 2019, the Texas Water Development Board rejected the amended Groundwater Management Plan. The Conservation District filed notice with the Texas Water Development Board of its appeal of the rejection of the amended Groundwater Management Plan. The Conservation District’s appeal was rejected by the Texas Water Development Board on October 3, 2019. The full impact of these matters on the District is not known at this time. Regulatory changes by the Conservation District may impact the District's production of groundwater from its wells.

The Conservation District currently bills permit holders \$0.105 per 1,000 gallons of water pumped from wells to finance the Conservation District’s operations. This amount is subject to future increases.

San Jacinto River Authority GRP Agreement

In response to the Conservation District requirements, the SJRA expressed a willingness to assume responsibility to construct and operate a surface water treatment plant at or near Lake Conroe and a water transmission system to major populated areas of Montgomery County, thus enabling the entire county to comply with the Conservation District requirements.

SJRA offered to enter into a contract for groundwater reduction planning, alternative water supply, and related goods and services (the “GRP Contract”) with all large water users in the county to achieve the goals for reduction of groundwater pumpage for the entire county. Approximately 147 larger volume water users in Montgomery County, including the District, approved and entered into the GRP Contract (“collectively the “Participants”) and are in compliance with SJRA and Conservation District requirements applicable to groundwater pumpage from the District’s wells.

Pursuant to the GRP Contract, SJRA will develop, implement and enforce a groundwater reduction plan (“GRP”) covering all Participants to achieve and maintain compliance with the Conservation District requirements. The initial focus of the GRP will be the design and construction of a surface water treatment and transmission system (the “Project”) to be owned and operated by SJRA for the benefit of all Participants.

The SJRA will design, permit, finance, construct, own, operate and maintain the Project, and the Project will be constructed in phases. A group compliance approach will be utilized. Certain large volume Participants may be wholly-converted to treated surface water while other users may continue to use groundwater. This approach is expected to minimize overall Project cost, equalize costs for Participants and avoid geographic advantages and disadvantages.

All Participants will pay a monthly groundwater pumpage fee for groundwater pumped from wells. The pumpage fee shall be set so that Participants are neither benefitted nor penalized for utilizing groundwater, and allowances will be made for Participant costs of operating and maintaining their wells.

The Participants are also required to pay well permit fees assessed by the Conservation District, and the District’s well permit is now aggregated with other GRP participants and is managed by the SJRA. The Conservation District currently bills permit holders (SJRA) \$0.105 per 1,000 of water pumped from wells. SJRA passes those costs to the Participants.

Participants that receive treated surface water from the Project will pay the prevailing rate for water, which rate will be set so that Participants are neither benefitted nor penalized for being required to take water from the Project under the GRP, and allowances will be made for Participant costs of operating on-site water facilities, as well as operating and maintaining their wells. The pumpage fees and water service fees received from the Project will be comparable, so that all Participants will be paying equivalent charges without preference for customers within or outside the areas converted to surface water.

SJRA has issued \$544,555,358 principal amount of special project and water revenue bonds to finance the capital costs of the Project, and groundwater pumpage fees and water service fees will be used to cover costs of debt service on the bonds. Effective September 1, 2019, the SJRA assessed groundwater pumpage fees of \$2.73 per 1,000 gallons pumped from the District’s wells. The District pays the pumpage fees based upon the amount of water delivered to the district each month. The District passes these pumpage fees and Conservation District fees on to customers in the District. The SJRA pumpage fees will increase as the costs of the Project are incurred, but the District is unable to predict the magnitude of such increases.

In 2016, the City of Conroe and the City of Magnolia advised the SJRA that it would not pay the rate increases that became effective September 1, 2016 of \$0.07 per thousand gallons for the Pumpage Fee and the Surface Water Fee. The Pumpage Fee and Surface Water Fee were further increased effective September 1, 2017. The City of Conroe and the City of Magnolia have not paid more than the rates set in 2015. On August 31, 2016, the SJRA filed suit in the District Court of Travis County, Texas, pursuant to Chapter 1205 of the Texas Government Code, seeking a declaratory judgment that (i) the SJRA is authorized to set rates for its GRP Participants pursuant to the procedures set forth in the GRP Contracts, (ii) the SJRA adopted its fiscal year 2017 Rate Order, including the setting of its fiscal year 2017 rates, in accordance with the procedures set forth in the GRP Contracts, (iii) the SJRA’s fiscal year 2017 rates, the Rate Order, and the GRP Contract are legal and valid, and (iv) the City of Conroe’s refusal to pay the fiscal year 2017 rate is a breach of its GRP Contract. The Cities of Conroe, Magnolia, and Splendora, Texas, along with two privately-owned water utilities, Quadvest, L.P. and Woodlands Oaks Utility, L.P. (collectively, the “Intervenors”) have intervened in opposition to the SJRA’s suit.

The Third Court of Appeals, Austin ruled in September 2018 that the suit was properly filed by the SJRA and should be sent back to the District Court for further proceedings on the first three declarations sought by the SJRA, as described above. The Third Court of Appeals ruled that the SJRA could not pursue the fourth declaration, as described above, under Chapter 1205 of the Texas Government Code. A separate suit would need to be filed to achieve such declaration. Since such ruling, the Intervenors have filed a petition for review with the Texas Supreme Court, which has been granted. Oral arguments are scheduled for January 9, 2020. At this time, no evaluation can be made as to the outcome of this matter or its impact on the SJRA and the resultant impact on GRP Participants such as the District.

As of November 2010, the SJRA announced plans to provide up to 1.2 million gallons per day of surface water to the District by 2016. Design and construction of the connections at the District’s water plant has been completed. Construction of surface water receiving facilities at the District’s water plants has been completed by the SJRA. The SJRA paid the costs associated with construction of these facilities, as well as the Project. On September 24, 2015, the District began receiving treated surface water. Effective September 1, 2019, the SJRA assesses surface water fees of \$3.15 per 1,000 gallons of surface water delivered. The SJRA pumpage fees and charges for surface water delivered to the District will increase as the costs of the Project are incurred, but the District is unable to predict the magnitude of such increases.

Stormwater Discharge Permit

On August 13, 2007, the Commission issued a general permit for stormwater discharges associated with small municipal separate storm sewer systems in certain urbanized areas of the State of Texas, including the area of the District. That permit expired on August 12, 2012 and the renewed permit was adopted on December 11, 2013 and again on January 24, 2019.

The District joined Montgomery County Drainage District No. 6, four other municipal utility districts, one other drainage district, and the City of Oak Ridge North, all located in The Woodlands Urbanized Area, in a series of Inter-Local Cooperation Agreements that formed and provided for operation of the South Montgomery County Storm Water Coalition (the “Coalition”) for the purpose of combining and sharing resources to file applications for municipal separate storm sewer system (“MS4”) permits as required by the Commission general permit.

The District and other Coalition participants each obtained MS4 permits under the 2007 permit and adopted storm water management plans to achieve six minimum control measures that are called for in the 2007 MS4 permits. The District and other Coalition participants have applied for coverage under the renewed 2019 general MS4 permit. The District and other Coalition participants are acting together to perform tasks to carry out certain best management practices and take actions to accomplish the minimum control measures and file annual reports with the Commission as required by the permits. Accordingly, the District is in compliance with the Commission general permit and the District’s MS4 permit.

Wastewater Treatment System

The District owns and operates a 950,000 gallon per day (“gpd”) wastewater treatment plant which, according to the engineer, is capable of providing wastewater treatment capacity for approximately 3,800 equivalent single family connections, under current regulatory criteria.

Storm Drainage System and 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 and a number of neighborhoods in the Greater Houston Area that are above the 100-year flood plain have flooded multiple times in the past several years. According to the Federal Emergency Management Agency Flood Insurance Rate Map Nos. 48339C0545G and 48339C0685G, both dated August 18, 2014, some of the 100-year flood plain is contained within varying width Montgomery County Drainage District No. 6 easements for Sam Bell Gully. The other portion of the 100-year flood plain is contained within Montgomery County Drainage District No. 10 easements which drain to Woodson’s Gully. See “INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey.”

Approximately 976 acres of land in the District are located within the boundaries of DD No. 6, and the remaining approximately 338 acres of land in the District are located within the boundaries of DD No. 10, whose systems of underground piping, drainage channels and storm water detention ponds serve to remove and protect the District from the 100-year floodplain. According to the most recent Federal Emergency Management Agency (FEMA) Floodplain Maps, effective December 19, 1996, there are no areas of the District that lie within the 100-year floodplain, except the area contained within the drainage facilities.

FINANCIAL STATEMENT

2019 Taxable Assessed Valuation	\$739,523,915	(a)
Gross Direct Long-Term Debt Outstanding	\$15,990,000	(b)
Ratio of Gross Direct Long-Term Debt to 2019 Taxable Assessed Valuation		2.16%

Area of District—1,314 Acres

Estimated 2019 population—12,751 (c)

- (a) The Montgomery Central Appraisal District (the “Appraisal District”) has certified \$692,739,279 of taxable value and an additional \$46,784,636 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 “TAXING PROCEDURES.”
- (b) After the issuance of the Bonds. See “Outstanding Bonds” herein.
- (c) Based upon 3.5 residents per occupied single-family residence.

Cash and Investment Balances (unaudited as of October 14, 2019)

Operating Fund	Cash and Temporary Investments	\$2,916,104	
Debt Service Fund	Cash and Temporary Investments	\$1,118,794	(a)

- (a) Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service 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 (as of October 1, 2019)

Series	Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds	Remaining Outstanding Bonds
2011 (a)	\$ 5,885,000	\$ 1,295,000	\$ 250,000	\$ 1,045,000
2011A	3,850,000	3,700,000	3,600,000	100,000
2012 (a)	4,815,000	2,915,000	1,525,000	1,390,000
2013 (a)	4,010,000	3,575,000	2,430,000	1,145,000
2014 (a)	4,595,000	1,905,000	-	1,905,000
2015 (a)	2,925,000	2,520,000	-	2,520,000
Total	\$ 26,080,000	\$ 15,910,000	\$ 7,805,000	\$ 8,105,000
The Bonds				7,885,000
The Bonds and Remaining Outstanding Bonds				\$ 15,990,000

- (a) Unlimited Tax Refunding Bonds.

ESTIMATED OVERLAPPING DEBT STATEMENT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "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
Montgomery County.....	\$ 522,350,000	8/31/2019	1.18%	\$ 6,163,730
Montgomery County Drainage District No. 10 (a)...	10,090,000	8/31/2019	25.72%	2,595,148
Lone Star College District.....	581,595,000	8/31/2019	0.37%	2,151,902
Conroe ISD.....	1,207,585,000	8/31/2019	1.89%	22,823,357
Total Estimated Overlapping Debt.....				\$ 33,734,136
The District.....	15,990,000 (b)	Current	100.00%	15,990,000
Total Direct and Estimated Overlapping Debt.....				\$ 49,724,136
Direct and Estimated Overlapping Debt as a Percentage of:				
2019 Taxable Assessed Valuation.....				6.72%

- (a) Approximately 976 areas within the District lie within Montgomery County Drainage No. 6 which set its 2018 tax rate at \$0.1757 per \$100 assessed valuation.
- (b) Includes the Bonds and the Remaining Outstanding Bonds.

Overlapping Taxes

	2019 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Montgomery County.....	\$ 0.447500
Montgomery County Hospital District	0.058900
Montgomery County Drainage District No. 10 (a).....	0.440000
Conroe Independent School District	1.230000
Montgomery County ESD No. 8.....	0.100000
Lone Star College System.....	0.107800
Total Overlapping Tax Rate.....	\$ 2.384200
The District	0.500000
Total Tax Rate.....	\$ 2.884200

- (a) Approximately 976 areas within the District lie within Montgomery County Drainage No. 6 which set its 2018 tax rate at \$0.1757 per \$100 assessed valuation.

TAX DATA

Debt Service Tax

The Board will covenant in the Bond Order to levy and collect, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of the District's outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on the Bonds.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, upon authorization of the District's voters. At a maintenance tax election conducted April 1, 1978, voters of the District authorized the Board to levy a maintenance tax at a rate not to exceed \$0.15 per \$100 assessed valuation. The maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and the Remaining Outstanding Bonds.

Tax Rate Distribution

	2019	2018	2017	2016	2015
Debt Service	\$ 0.350	\$ 0.360	\$ 0.360	\$ 0.380	\$ 0.400
Maintenance and Operations	0.150	0.150	0.150	0.150	0.150
Total	\$0.5000	\$0.5100	\$0.5100	\$0.5300	\$0.5500

Historical Tax Collections

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

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of September 30, 2019 (a)	
				Amount	Percent
2014	\$ 590,638,143	\$ 0.580	\$ 3,425,701	\$ 3,423,618	99.94%
2015	640,912,731	0.550	3,525,020	3,522,231	99.92%
2016	677,614,161	0.530	3,595,132	3,592,443	99.93%
2017	698,437,256	0.510	3,564,889	3,561,391	99.90%
2018	697,415,949	0.510	3,563,712	3,551,351	99.65%
2019	692,739,279	0.500	3,463,696	(b)	(b)

(a) Unaudited.

(b) In process of collection. 2019 taxes are due January 31, 2020.

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.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. For 2019, the District has adopted a \$40,000 exemption for persons who are 65 or older and/or disabled and a ten percent (10%) general residential homestead exemption.

Additional Penalties

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

Tax Roll Information

The District’s certified value as of January 1 of each year is used by the District in establishing its tax rate for the same year. See “TAXING PROCEDURES—Levy and Collection of Taxes.” The following represents the type of property comprising the District’s tax roll for the years 2017 through 2019. These values may differ slightly from values in other sections of the Official Statement due to different reporting dates. A breakdown of the uncertified portion (\$46,784,636) of the 2019 Taxable Assessed Valuation is not available.

	2019 Taxable Assessed Valuation	2018 Taxable Assessed Valuation	2017 Taxable Assessed Valuation
Land	\$ 72,771,740	\$ 76,964,070	\$ 73,100,030
Improvements	706,958,170	704,690,360	711,284,030
Personal Property	17,371,078	16,959,859	16,162,198
Exemptions	(104,361,709)	(101,198,340)	(102,109,002)
Certified Value	<u>692,739,279</u>	<u>697,415,949</u>	<u>698,437,256</u>
Uncertified Value	<u>46,784,636</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 739,523,915</u>	<u>\$ 697,415,949</u>	<u>\$ 698,437,256</u>

Principal Taxpayers

The following table represents the principal taxpayers for 2019, the type of property, the certified taxable assessed value of such property, and such property’s assessed value as a percentage of the certified portion (\$692,739,279) of the District’s 2019 Taxable Assessed Valuation. A principal taxpayer list related to the uncertified portion (\$46,784,636) of the 2019 Taxable Assessed Valuation is not available. See “INVESTMENT CONSIDERATIONS—Dependence on Principal Taxpayers.”

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2019 Certified Taxable Assessed Valuation</u>	<u>% of 2019 Certified Taxable Assessed Valuation</u>
Kroger Texas LP	Grocery Store	\$ 10,958,447	1.58%
Rayford Land Inv Co. #2 Ltd	Strip Center	9,281,610	1.34%
American Homes 4 Rent Properties Eight LLC	Houses and Lots	2,667,810	0.39%
Centerpoint Energy	Electric Utility	2,449,670	0.35%
Denny Oil Company	Commercial	2,176,030	0.31%
Individual	Commercial/Retail	1,982,880	0.29%
AMH 2015-2 Borrower LLC	Commercial/Retail	1,828,350	0.26%
American Residential Leasing Co, LLC	Houses and Lots	1,464,960	0.21%
Centerpoint Energy Entex	Gas Utility	1,229,290	0.18%
Individual	Commercial/Storage Facility	1,198,790	0.17%
Total		<u>\$ 35,237,837</u>	<u>5.09%</u>

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 assessed valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District’s tax base occurred beyond the 2019 Taxable Assessed Valuation of \$739,523,915 (see “Tax Roll Information” above). The calculations contained in the following table merely represent the tax rates 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.

Average Annual Debt Service Requirement (2020-2029)	\$1,789,405
\$0.26 Tax Rate on 2019 Taxable Assessed Valuation at 95% collections	\$1,826,624
Maximum Annual Debt Service Requirement (2020)	\$2,514,398
\$0.36 Tax Rate on 2019 Taxable Assessed Valuation at 95% collections	\$2,529,172

No representation or suggestion is made that the uncertified portion (\$46,784,636) of the 2019 Taxable Assessed Valuation provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See “TAXING PROCEDURES.”

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Remaining Outstanding 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—Maintenance Tax.”

Tax Code and County-Wide Appraisal District

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

The 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 Montgomery Central Appraisal District has the responsibility for appraising property for all taxing units within Montgomery County, including the District. Such appraisal values are subject to review and change by the Montgomery County Appraisal Review Board (the “Appraisal Review Board”). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax rolls and tax rate. The District is responsible under current Texas law for the levy and collection of its taxes.

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 years or older and of certain disabled persons to the extent deemed advisable by the Board. For tax year 2019, the District adopted a residential homestead exemption for persons age 65 and older and disabled persons of \$40,000. Additionally, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. 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 surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See “TAX DATA.”

Residential Homestead Exemptions: The Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) 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 District has granted a general homestead exemption of ten percent (10%).

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 is limited to 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 the tax year 2011 and prior years, and has taken official action to allow taxation of all such goods-in-transit personal property for the tax year 2012 and subsequent years.

Tax Abatement

Montgomery County or the City of Houston or the City of Conroe may designate all or part of the area within the District as a reinvestment zone. Thereafter, Montgomery County, the District, the City of Conroe and the City of Houston, under certain circumstances, 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 certain terms for its tax abatement agreements without regard to such 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.

Reappraisal of Property

When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property. Neither Montgomery County nor the District adopted an order regarding the reappraisal of property in the District.

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 Tax Code. The 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 in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property 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. 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 below are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION (UNAUDITED)" 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 the operations and maintenance tax rate that would impose 1.08 times more operation and maintenance taxes on the average residential homestead.

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 the operations and maintenance tax rate that would impose 1.035 times more operation and maintenance taxes on the average residential homestead. 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 the operations and maintenance tax rate that would impose 1.08 times more operation and maintenance taxes on the average residential homestead.

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 STATEMENT.” A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; 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, among other collection methods available, 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 homesteads as described above under “-Levy and Collection of Taxes”. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years for residential and agricultural property and within six (6) months for commercial 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. Generally, the District’s tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See “INVESTMENT CONSIDERATIONS—Tax Collection Limitations”.

WATER AND SEWER OPERATIONS

General

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed from the General Operating Fund as shown on the District's audited financial statements for the fiscal years ending May 31, 2015 through 2018 and an unaudited summary provided by the District's Bookkeeper as of May 31, 2019. Accounting principles customarily employed in the determination of net revenues of utility districts have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for a copy of the District's May 31, 2019 audited financial statements.

	Fiscal Year Ended May 31,				
	2019	2018	2017	2016	2015
Revenues					
Property Taxes	\$ 1,049,807	\$ 1,046,193	\$ 1,014,896	\$ 958,592	\$ 761,122
Service Revenues	2,251,123	2,266,782	2,374,479	2,396,511	2,311,624
Groundwater Conservation District Fees	39,782	32,237	28,341	27,763	25,603
Surface Water Revenue	1,071,301	1,102,424	1,144,294	1,106,260	886,408
Penalty and Interest	52,756	56,272	60,198	63,358	62,408
Tap Connection/Inspection Fees	1,950	2,595	1,970	630	655
Investment Revenues	9,197	7,479	4,993	4,036	3,573
Miscellaneous	107,861	86,801	59,979	28,828	52,561
Total Revenues	\$ 4,583,777	\$ 4,600,783	\$ 4,689,150	\$ 4,585,978	\$ 4,103,954
Expenditures					
Professional Fees	\$ 171,092	\$ 138,617	\$ 159,439	\$ 170,246	\$ 103,438
Contracted Services	270,634	267,191	246,324	240,039	222,446
Security Services	688,251	628,559	668,951	627,593	512,315
Solid Waste Disposal	615,414	710,941	642,254	623,233	585,654
Utilities	195,564	217,741	221,250	206,270	232,685
Groundwater Conservation					
District Assessment	-	-	-	6,324	37,500
Surface Water Fees	1,054,114	1,062,492	1,143,430	1,058,704	809,076
Repairs and Maintenance	659,627	699,706	620,589	581,236	398,194
Parks and Recreation	182,302	194,841	155,165	134,261	202,886
Other	461,160	446,194	425,429	442,501	478,803
Capital Outlay	177,256	354,192	239,049	246,371	1,393,412
Total Expenditures	\$ 4,475,414	\$ 4,720,474	\$ 4,521,880	\$ 4,336,778	\$ 4,976,409
Net Revenues	\$ 108,363	\$ (119,691)	\$ 167,270	\$ 249,200	\$ (872,455)
Other Financing Sources:					
Contribution from Other Governments	\$ -	\$ -	\$ -	\$ -	\$ 1,586,060
Fund Balance (Beginning of Year)	\$ 3,181,593	\$ 3,301,284	\$ 3,134,014	\$ 2,884,814	\$ 2,171,209
Fund Balance (End of Year)	\$ 3,289,956	\$ 3,181,593	\$ 3,301,284	\$ 3,134,014	\$ 2,884,814
Total Active Water Connections	3,773	3,777	3,779	3,777	3,772

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

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of Montgomery County, the City of Houston, the City of Conroe, 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 taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Sources of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be 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, the District's System (as defined herein) did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. The District was not notified of any structural flooding or other material damage to homes or commercial businesses 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.

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 \$739,523,915. See "FINANCIAL STATEMENT". After issuance of the Bonds, the maximum annual debt service requirement will be \$2,514,398 (2020), and the average annual debt service requirement will be \$1,789,405 (2020-2029). 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 \$0.36 and \$0.26 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 has reserved in the Bond Order the right to issue obligations other than the Bonds and the Remaining Outstanding Bonds, including tax anticipation notes, bond anticipation notes, and to borrow for any valid corporate purpose. The District does not have any unlimited tax bonds authorized but unissued for water, sewer and drainage facilities. However, additional bonds could be authorized in the future by District voters. Voters have authorized the issuance of \$39,500,000 principal amount in unlimited tax bonds for the purpose of refunding bonds of the District, of which \$35,914,120 principal amount will remain authorized but unissued after issuance of the Bonds. The future issuance of additional obligations may adversely affect the security for the Bonds and the investment quality and value of the Bonds. The District does not employ any formula with respect to assessed valuation or tax collections and does not otherwise limit the amount of additional bonds or other obligations which may be issued. The issuance of additional unlimited tax and revenue bonds (other than refunding bonds), if any, however, is subject to approval by the Commission under guidelines of feasibility established by the Commission. See “THE BONDS—Authority for Issuance and Issuance of Additional Debt” and “THE DISTRICT—General.”

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by an inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by cumbersome, time-consuming and expensive collection procedures or 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 STATEMENT”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem homestead and agricultural use property within two years of foreclosure and other types of property within six months after foreclosure). 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. See “TAXING PROCEDURES—District's Rights in the Event of Tax Delinquencies.”

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, 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 is (1) authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission 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 "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston Galveston 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 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 TCEQ's "redesignation substitute" for the HGB area under the revoked 1997 Ozone Standards, leaving the HGB area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for 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 TCEQ has developed a formal request that the HGB area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB area redesignation request under the 1997 Ozone Standards on September 5, 2018.

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

Water Supply & Discharge Issues: Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) 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 TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

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

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 TCEQ issued the General Permit for Phase II (small) Municipal Separate Storm Sewer System (the “MS4 Permit”) on June 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from Small Municipal Separate Storm Sewer System. The District is in The Woodlands Urbanized Area and is required to develop and implement a stormwater pollution prevention plan and a stormwater management plan. See “THE SYSTEM—Stormwater Discharge 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. The District has applied for a bond insurance policy (the "Policy") to guarantee the scheduled payment of principal and interest on the Bonds.

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.

Marketability of the Bonds

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

Continuing Compliance with Certain Covenants

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

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 municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. S&P has also assigned an underlying rating of "A" (stable outlook) to the Bonds. An explanation of the ratings may be obtained from S&P.

There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in its 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 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 Escrow Agent for the payment of the Refunded Bonds (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes and (c) the mathematical computations related to certain requirements of the City of Houston Ordinance No. 97-416, as amended.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on all 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. and Hilltop Securities, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$8,106,487.24 (representing the par amount of the Bonds of \$7,885,000, plus a net premium on the Bonds of \$285,794.40, less an Underwriter’s discount of \$64,307.16) 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.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax levied without limitation as to rate or amount upon all taxable property in the District. The District also will furnish the approving legal opinion of Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel to the District (“Bond Counsel”), to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from the levy of ad valorem taxes, without legal limit as to rate or amount, upon all taxable property located within the District, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application affecting rights of creditors of political subdivisions such as the District or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel’s opinion will also state that, as a result of the deposit of cash with the Paying Agent for the Refunded Bonds pursuant to the Escrow Agreement, firm banking arrangements will have been made for the payment of the Refunded Bonds pursuant to the Escrow Agreement and that, therefore, the Refunded Bonds will be deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor under such Escrow Agreement. Bond Counsel will express no opinion with respect to the sufficiency of the security for or marketability of the Bonds.

Legal Review

In its capacity as Bond Counsel, Smith, Murdaugh Little & Bonham, L.L.P. has reviewed the information appearing in this Official Statement under the captions “PLAN OF FINANCING”, “—Escrow Agreement and Defeasance of Refunded Bonds (but only insofar as such section relates to the legal opinion of Bond Counsel), “THE BONDS”, “THE DISTRICT—General,” “MANAGEMENT OF THE DISTRICT—Bond Counsel/Attorney,” “TAXING PROCEDURES,” “LEGAL MATTERS—Legal Opinions,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” to determine whether such information fairly summarizes the procedures, law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm’s limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein. 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. Bond Counsel acts as general counsel for the District on matters other than the issuance of bonds.

No-Litigation Certificate

The District will furnish to the Underwriter a certificate, dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

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 condition (financial or otherwise) of the District from that set forth or contemplated in the Official Statement, as it may have been supplemented or amended, through the date of sale.

TAX MATTERS

Opinion

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

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

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

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

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

Federal Income Tax Accounting Treatment of Original Discount Bonds

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

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

Federal Income Tax Accounting Treatment of Premium Bonds

The initial public offering price of certain Bonds (the "Premium Bonds") is greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning Premium Bonds.

Collateral Federal Income Tax Consequences

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

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

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

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

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

State, Local and Foreign Taxes

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

The District has designated the Bonds as “qualified tax-exempt obligations” and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2019 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2019.

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

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” - IDS Engineering Group (“Engineer”) and Records of the District (“Records”); “THE SYSTEM” - Engineer; “FINANCIAL STATEMENT” - Montgomery Central Appraisal District and Records; “ESTIMATED OVERLAPPING DEBT STATEMENT” - Municipal Advisory Council of Texas and Financial Advisor; “TAX DATA” - Montgomery Central Appraisal District and Montgomery County Tax Assessor/Collector; “MANAGEMENT OF THE DISTRICT” - District Directors; “WATER AND SEWER OPERATIONS” - Records; “DEBT SERVICE REQUIREMENTS” - Financial Advisor; “THE BONDS” “THE DISTRICT—General,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” - Smith, Murdaugh, Little & Bonham, L.L.P.

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 Montgomery Central 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 Montgomery County, including the District.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the historical tax collections of the District's and particularly the section entitled “TAX DATA—Historical Tax Collections” has been provided by the Montgomery County Tax Office and is included herein in reliance upon the authority of such entity as an expert in assessing and collecting taxes.

Engineer: The information contained in this Official Statement relating to engineering and to the description of the District's water and sewer system and, in particular that information included in the sections entitled “THE DISTRICT” and “THE SYSTEM” has been provided by IDS Engineering Group, and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

Auditor: The District's audited financial statements for the year ended May 31, 2019, were prepared by McCall Gibson Swedlund Barfoot PLLC, and have been included herein as "APPENDIX A." McCall Gibson Swedlund Barfoot PLLC has authorized the use of these financial statements in conjunction with the sale of the Bonds as they appear in "APPENDIX A."

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

Updating the Official Statement

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 holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (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.

Annual Reports

The District will provide annually to the Municipal Securities Rulemaking Board (the "MSRB"), certain updated financial information and operating data. The information to be updated includes the quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "THE SYSTEM," "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 supplemental schedules) and in APPENDIX A. The District will update and provide this information to the MSRB within six (6) months after the end of each fiscal year ending in or after 2020.

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

The District's current fiscal year end is May 31. Accordingly, it must provide updated information by November 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Specified Event Notices

The District will provide timely notices of certain events to the MSRB via EMMA, 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; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or an obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or an obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or an obligated person, any of which reflect financial difficulties. The terms “financial obligation” and “material” when used in this paragraph shall have the meanings ascribed to them under federal securities laws. 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.

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

The District has previously made continuing disclosure agreements in accordance with SEC Rule 15c2-12 and in the past five years has been in compliance with such 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 Rayford Road Municipal Utility District as of the date shown on the cover page.

ATTEST:

/s/ Charles Saxe, Jr.
Secretary, Board of Directors
Rayford Road Municipal Utility District

/s/ Jon Vallery
President, Board of Directors
Rayford Road Municipal Utility District

APPENDIX A

District Audited Financial Statements for the fiscal year ended May 31, 2019

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
MONTGOMERY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
MAY 31, 2019

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
MONTGOMERY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
MAY 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rayford Road Municipal Utility District
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Rayford Road Municipal Utility District (the "District"), as of and for the year ended May 31, 2019, 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 District'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 May 31, 2019, 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
Certified Public Accountants
Houston, Texas

September 9, 2019

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019**

Management’s discussion and analysis of Rayford Road Municipal Utility District’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended May 31, 2019. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes all of the District’s assets, liabilities, and deferred inflows 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.

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information required by the Water District Financial Management Guide. The 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 by \$12,780,649 as of May 31, 2019.

A portion of the District's net position reflects its net investment in capital assets (water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

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

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 5,505,442	\$ 5,586,684	\$ (81,242)
Capital Assets (Net of Accumulated Depreciation)	24,277,271	25,132,072	(854,801)
Total Assets	\$ 29,782,713	\$ 30,718,756	\$ (936,043)
Deferred Outflows of Resources	\$ 77,926	\$ 85,599	\$ (7,673)
Long -Term Liabilities	\$ 16,216,337	\$ 18,285,799	\$ 2,069,462
Other Liabilities	863,653	910,631	46,978
Total Liabilities	\$ 17,079,990	\$ 19,196,430	\$ 2,116,440
Net Position:			
Net Investment in Capital Assets	\$ 8,138,934	\$ 6,931,938	\$ 1,206,996
Restricted	1,271,550	1,399,453	(127,903)
Unrestricted	3,370,165	3,276,534	93,631
Total Net Position	\$ 12,780,649	\$ 11,607,925	\$ 1,172,724

The following table provides a summary of the District's operations for the years ending May 31, 2019, and May 31, 2018. The District's net position increased by \$1,172,724, accounting for a 10.1% increase in net position.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 3,557,626	\$ 3,566,591	\$ (8,965)
Charges for Services	3,431,838	3,474,508	(42,670)
Other Revenues	139,479	108,775	30,704
Total Revenues	\$ 7,128,943	\$ 7,149,874	\$ (20,931)
Expenses for Services	5,956,219	6,053,102	96,883
Change in Net Position	\$ 1,172,724	\$ 1,096,772	\$ 75,952
Net Position, Beginning of Year	11,607,925	10,511,153	1,096,772
Net Position, End of Year	\$ 12,780,649	\$ 11,607,925	\$ 1,172,724

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of May 31, 2019, were \$4,629,031, a decrease of \$28,992 from the prior year.

The General Fund fund balance increased by \$108,363, primarily due to tax and service revenues exceeding operating expenditures and capital outlay.

The Debt Service Fund fund balance decreased by \$137,363, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by \$8.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$562,223 less than budgeted primarily due to lower than anticipated tax and service revenues. Actual expenditures were \$529,586 less than budgeted expenditures primarily due to lower than anticipated expenditures across all categories except parks and recreation.

CAPITAL ASSETS

Capital assets as of May 31, 2019, amount to \$24,277,271 (net of accumulated depreciation). These capital assets include land, buildings and equipment as well as the water, wastewater and drainage systems. Significant capital asset events completed during the current fiscal year was the Rayford commercial waterline loop.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 494,962	\$ 494,962	\$
Construction in Progress	42,610	29,348	13,262
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	30,594	32,659	(2,065)
Equipment	44,554	55,406	(10,852)
Water System	7,136,044	7,298,686	(162,642)
Wastewater System	8,197,058	8,583,497	(386,439)
Drainage System	8,243,713	8,546,623	(302,910)
Impact Fees	87,736	90,891	(3,155)
Total Net Capital Assets	<u>\$ 24,277,271</u>	<u>\$ 25,132,072</u>	<u>\$ (854,801)</u>

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019**

LONG-TERM DEBT ACTIVITY

As of May 31, 2019, the District had total bond debt payable of \$15,910,000. The changes in the debt position of the District during the fiscal year ended May 31, 2019, are summarized as follows:

Bond Debt Payable, June 1, 2018	\$ 17,925,000
Less: Bond Principal Paid	<u>2,015,000</u>
Bond Debt Payable, May 31, 2019	<u>\$ 15,910,000</u>

The District's bonds carry an underlying rating of "A" by Standard and Poor's. The District's Series 2011 Refunding, 2011A, 2012 Refunding and 2013 Refunding bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal. The District's Series 2014 Refunding bonds carry on insured rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. The District's Series 2015 Refunding bonds are not rated. Credit enhanced ratings provided through bond insurance policies are subject to change based on the ratings of the bond insurance company. The above ratings reflect any rating changes during the year ended May 31, 2019.

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 Rayford Road Municipal Utility District, c/o Smith, Murdaugh, Little & Bonham, LLP, 2727 Allen Parkway, Suite 1100, Houston, TX 77019.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 3,633,292	\$ 458,085
Investments		940,613
Receivables:		
Property Taxes	15,108	44,561
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Uncollectible Accounts of \$2,000)	197,522	
Accrued Interest		4,899
Other	14,871	
Due from Other Funds	149,796	1,197
Prepaid Costs	13,379	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 4,023,968	\$ 1,449,355
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,023,968	\$ 1,449,355

The accompanying notes to 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>
\$ 91,985	\$ 4,183,362	\$	\$ 4,183,362
	940,613		940,613
	59,669		59,669
		26,026	26,026
	197,522		197,522
	4,899		4,899
	14,871		14,871
	150,993	(150,993)	
	13,379	65,101	78,480
		494,962	494,962
		42,610	42,610
		<u>23,739,699</u>	<u>23,739,699</u>
<u>\$ 91,985</u>	<u>\$ 5,565,308</u>	<u>\$ 24,217,405</u>	<u>\$ 29,782,713</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 77,926</u>	<u>\$ 77,926</u>
<u><u>\$ 91,985</u></u>	<u><u>\$ 5,565,308</u></u>	<u><u>\$ 24,295,331</u></u>	<u><u>\$ 29,860,639</u></u>

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

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2019

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 401,144	\$ 7,908
Accrued Interest Payable		
Due to Other Governmental Units	2,930	
Due to Developers	18,000	
Due to Other Funds	1,197	57,885
Security Deposits	295,633	
Long-Term Liabilities:		
Bonds Payable Within One Year		
Bonds Payable After One Year		
TOTAL LIABILITIES	\$ 718,904	\$ 65,793
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 15,108	\$ 44,561
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 13,379	\$
Restricted for Authorized Construction		
Restricted for Debt Service		1,339,001
Unassigned	3,276,577	
TOTAL FUND BALANCES	\$ 3,289,956	\$ 1,339,001
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,023,968	\$ 1,449,355
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to 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>
\$	\$ 409,052	\$	\$ 409,052
		138,038	138,038
	2,930		2,930
	18,000		18,000
91,911	150,993	(150,993)	
	295,633		295,633
		2,030,000	2,030,000
		14,186,337	14,186,337
\$ 91,911	\$ 876,608	\$ 16,203,382	\$ 17,079,990
\$ -0-	\$ 59,669	\$ (59,669)	\$ -0-
\$	\$ 13,379	\$ (13,379)	\$
74	74	(74)	
	1,339,001	(1,339,001)	
	3,276,577	(3,276,577)	
\$ 74	\$ 4,629,031	\$ (4,629,031)	\$ - 0 -
\$ 91,985	\$ 5,565,308		
		\$ 8,138,934	\$ 8,138,934
		1,271,550	1,271,550
		3,370,165	3,370,165
		\$ 12,780,649	\$ 12,780,649

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

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
MAY 31, 2019

Total Fund Balances - Governmental Funds	\$	4,629,031
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.		77,926
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Prepaid bond insurance is amortized over the repayment period of the related bonds in governmental activities.		65,101
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Capital assets used in governmental activities are not a financial resource and, therefore, are not reported as assets in governmental funds.		24,277,271
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District.		85,695
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Certain liabilities, including bonds payable, 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:

Accrued Interest Payable	\$ (138,038)	
Bonds Payable	<u>(16,216,337)</u>	<u>(16,354,375)</u>

Total Net Position - Governmental Activities	\$	<u>12,780,649</u>
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The accompanying notes to financial statements are an integral part of this report.

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RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2019

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,049,807	\$ 2,520,338
Water Service	948,173	
Wastewater Service	1,302,950	
Groundwater Conservation District Fees	39,782	
Surface Water Revenues	1,071,301	
Penalty and Interest	52,756	13,399
Tap Connection and Inspection Fees	1,950	
Investment Revenues	9,197	22,131
Miscellaneous Revenues	107,861	
	<u>\$ 4,583,777</u>	<u>\$ 2,555,868</u>
TOTAL REVENUES		
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 171,092	\$ 5,739
Contracted Services	270,634	36,158
Security Services	688,251	
Solid Waste Disposal	615,414	
Utilities	195,564	
Surface Water Fees/Pumpage Fees	1,054,114	
Repairs and Maintenance	659,627	
Parks and Recreation	182,302	
Depreciation		
Other	461,160	16,610
Capital Outlay	177,256	
Debt Service:		
Bond Principal		2,015,000
Bond Interest		619,724
	<u>\$ 4,475,414</u>	<u>\$ 2,693,231</u>
TOTAL EXPENDITURES/EXPENSES		
NET CHANGE IN FUND BALANCES	\$ 108,363	\$ (137,363)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
JUNE 1, 2018	<u>3,181,593</u>	<u>1,476,364</u>
FUND BALANCES/NET POSITION -		
MAY 31, 2019	<u>\$ 3,289,956</u>	<u>\$ 1,339,001</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 3,570,145	\$ (12,519)	\$ 3,557,626
	948,173		948,173
	1,302,950		1,302,950
	39,782		39,782
	1,071,301		1,071,301
	66,155	1,527	67,682
	1,950		1,950
290	31,618		31,618
	107,861		107,861
<u>\$ 290</u>	<u>\$ 7,139,935</u>	<u>\$ (10,992)</u>	<u>\$ 7,128,943</u>
\$	\$ 176,831	\$	\$ 176,831
	306,792		306,792
	688,251		688,251
	615,414		615,414
	195,564		195,564
	1,054,114		1,054,114
	659,627		659,627
	182,302		182,302
		1,032,057	1,032,057
282	478,052		478,052
	177,256	(177,256)	
	2,015,000	(2,015,000)	
	619,724	(52,509)	567,215
<u>\$ 282</u>	<u>\$ 7,168,927</u>	<u>\$ (1,212,708)</u>	<u>\$ 5,956,219</u>
\$ 8	\$ (28,992)	\$ 28,992	\$
		1,172,724	1,172,724
<u>66</u>	<u>4,658,023</u>	<u>6,949,902</u>	<u>11,607,925</u>
<u>\$ 74</u>	<u>\$ 4,629,031</u>	<u>\$ 8,151,618</u>	<u>\$ 12,780,649</u>

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

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2019**

Net Change in Fund Balances - Governmental Funds	\$	(28,992)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		(12,519)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		1,527
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(1,032,057)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		177,256
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		2,015,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		<u>52,509</u>
Change in Net Position - Governmental Activities	\$	<u><u>1,172,724</u></u>

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

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 1. CREATION OF DISTRICT

The District was created on May 6, 1969, under the terms and provisions of Section 59 of Article 16 of the Constitution of the State of Texas by the Legislature as a Water Control and Improvement District. The District was converted into a Municipal Utility District on April 26, 1974, by the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the "Commission"). The Board of Directors held its first meeting on December 21, 1971. 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.

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 or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

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").

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

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

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 revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

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

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

Governmental Funds

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

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 revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

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

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

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

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	20-40
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 considered to be wages subject to federal income tax withholding for payroll purposes only.

Measurement Focus

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

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances 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 and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 3. LONG-TERM DEBT

	Refunding Series 2011	Series 2011A	Refunding Series 2012
Amount Outstanding - May 31, 2019	\$1,295,000	\$3,700,000	\$2,915,000
Interest Rates	4.00% - 5.00%	3.50% - 3.875%	2.50% - 4.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2020/2023	March 1, 2020/2029	March 1, 2020/2025
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	March 1, 2019*	March 1, 2019*	March 1, 2020*
	Refunding Series 2013	Refunding Series 2014	Refunding Series 2015
Amount Outstanding - May 31, 2019	\$3,575,000	\$1,905,000	\$2,520,000
Interest Rates	3.00% - 3.25%	3.00% - 3.50%	2.64%
Maturity Dates – Serially Beginning/Ending	March 1, 2020/2027	March 1, 2020/2023	March 1, 2020/2029
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	March 1, 2019*	March 1, 2021*	March 1, 2020*

* Callable for redemption at a price equal to the principal amount of the bonds called for redemption plus accrued interest. Series 2011 Refunding term bonds maturing March 1, 2023, are subject to mandatory redemption beginning March 1, 2022. Series 2011A term bonds maturing March 1, 2023, are subject to mandatory redemption beginning March 1, 2020. Series 2015 Refunding term bonds maturing March 1, 2029, are subject to mandatory redemption beginning March 1, 2016.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding long-term liabilities for the year ended May 31, 2019:

	June 1, 2018	Additions	Retirements	May 31, 2019
Bonds Payable	\$ 17,925,000	\$	\$ 2,015,000	\$ 15,910,000
Unamortized Discounts	(99,108)		(17,884)	(81,224)
Unamortized Premiums	459,907		72,346	387,561
Bonds Payable, Net	<u>\$ 18,285,799</u>	<u>\$ -0-</u>	<u>\$ 2,069,462</u>	<u>\$ 16,216,337</u>
			Amount Due Within One Year	\$ 2,030,000
			Amount Due After One Year	14,186,337
			Bonds Payable, Net	<u>\$ 16,216,337</u>

As of May 31, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 2,030,000	\$ 552,153	\$ 2,582,153
2021	2,035,000	481,700	2,516,700
2022	2,090,000	410,979	2,500,979
2023	1,900,000	337,765	2,237,765
2024	1,530,000	270,089	1,800,089
2025-2029	6,325,000	611,970	6,936,970
	<u>\$ 15,910,000</u>	<u>\$ 2,664,656</u>	<u>\$ 18,574,656</u>

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 the revenue bonds 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 wastewater system. During the year ended May 31, 2019, the District levied an ad valorem debt service tax rate of \$0.36 per \$100 of assessed valuation, which resulted in a tax levy of \$2,509,974 on the adjusted taxable valuation of \$697,840,373 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.

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.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

- A. The bond orders state that so long as any of the bonds are outstanding, the District agrees to maintain insurance for the benefit of the holders of bonds, on the system of a kind and in an amount which usually would be carried by municipal corporations and political subdivisions operating in Texas.
- B. The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to each nationally recognized municipal securities information depository and the state information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.
- C. In the bond orders, 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 the five year anniversary of each use.

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 \$5,123,975 and the bank balance was \$5,113,207. The District was not exposed to custodial credit risk at year-end.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at May 31, 2019, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 3,633,292	\$	\$ 3,633,292
DEBT SERVICE FUND	458,085	940,613	1,398,698
CAPITAL PROJECTS FUND	91,985		91,985
TOTAL DEPOSITS	\$ 4,183,362	\$ 940,613	\$ 5,123,975

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.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of May 31, 2019, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>DEBT SERVICE FUND</u>		
Certificates of Deposit	<u>\$ 940,613</u>	<u>\$ 940,613</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages credit risk by investing in certificates of deposit with balances below FDIC coverage.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages interest rate risk by investing in certificates of deposit with maturities of one year or less.

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.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2019:

	June 1, 2018	Increases	Decreases	May 31, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 494,962	\$	\$	\$ 494,962
Construction in Progress	<u>29,348</u>	<u>177,256</u>	<u>163,994</u>	<u>42,610</u>
Total Capital Assets Not Being Depreciated	<u>\$ 524,310</u>	<u>\$ 177,256</u>	<u>\$ 163,994</u>	<u>\$ 537,572</u>
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$ 53,371	\$	\$	\$ 53,371
Equipment	120,022			120,022
Water System	11,736,832	163,994		11,900,826
Wastewater System	14,411,460			14,411,460
Drainage System	13,850,619			13,850,619
Impact Fees	<u>132,126</u>			<u>132,126</u>
Total Capital Assets Subject to Depreciation	<u>\$ 40,304,430</u>	<u>\$ 163,994</u>	<u>\$ - 0 -</u>	<u>\$ 40,468,424</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ 20,712	\$ 2,065	\$	\$ 22,777
Equipment	64,616	10,852		75,468
Water System	4,438,146	326,636		4,764,782
Wastewater System	5,827,963	386,439		6,214,402
Drainage System	5,303,996	302,910		5,606,906
Impact Fees	<u>41,235</u>	<u>3,155</u>		<u>44,390</u>
Total Accumulated Depreciation	<u>\$ 15,696,668</u>	<u>\$ 1,032,057</u>	<u>\$ - 0 -</u>	<u>\$ 16,728,725</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 24,607,762</u>	<u>\$ (868,063)</u>	<u>\$ - 0 -</u>	<u>\$ 23,739,699</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 25,132,072</u>	<u>\$ (690,807)</u>	<u>\$ 163,994</u>	<u>\$ 24,277,271</u>

NOTE 7. MAINTENANCE TAX

On March 9, 1978, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.15 per \$100 of assessed valuation of taxable property within the District. During the fiscal year ended May 31, 2019, the District levied an ad valorem maintenance tax at the rate of \$0.15 per \$100 of assessed valuation, which resulted in a tax levy of \$1,045,822 on the adjusted taxable valuation of \$697,840,373 for the 2018 tax year. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters 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 9. LONE STAR GROUNDWATER CONSERVATION DISTRICT

The District is located within the boundaries of the Lone Star Groundwater Conservation District (the "Conservation District"). The Conservation District was created under Article 16, Section 59 of the Texas Constitution by House Bill 2362 (the "Act"), as passed by the 77th Texas Legislature, in 2001. The Conservation District was created to conserve, protect, and enhance the groundwater resources of Montgomery County, Texas.

A nine-member board of directors governs the Conservation District. The directors serve staggered four-year terms. Each director must qualify to serve as director in the manner provided by Section 36.055 of the Water Code.

The Conservation District charges production fees based on the amount of water authorized by permit to be withdrawn from a well. This fee enables the Conservation District to fulfill its purpose and regulatory functions. The 2019 permit fee is \$0.105 per 1,000 gallons water pumped from each well.

NOTE 10. EMERGENCY WATER SUPPLY AGREEMENTS

Montgomery County Municipal Utility District No. 99

On July 24, 2012, the District entered into an Emergency Water Supply Agreement with Montgomery County Municipal Utility District No. 99. During an emergency, the price to be paid for water by either district is \$1.00 per 1,000 gallons of water supplied plus pumpage fees charged by a regional water authority or groundwater conservation district. The term of the agreement is 40 years.

Montgomery County Municipal Utility District No. 115

On November 1, 2008, the District entered into an Emergency Water Supply Agreement with Montgomery County Municipal Utility District No. 115. During an emergency, the price to be paid for water by either district is \$1.00 per 1,000 gallons plus pumpage fees charged by a regional water authority or groundwater conservation district. The term of the agreement is 40 years.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 11. INTERFUND PAYABLES/RECEIVABLES

As of May 31, 2019, the District had the following significant interfund liabilities: the Debt Service Fund owed the General Fund a total of \$55,675 for arbitrage and continuing disclosure expenses and \$2,210 for maintenance tax collections, the General Fund owed the Debt Service Fund \$1,197 for proceeds from the Series 2011 Refunding bond sale and the Capital Projects Fund owed the General Fund a total of \$91,911 for costs associated with phase 1 of the sanitary sewer rehabilitation.

NOTE 12. SAN JACINTO RIVER AUTHORITY

On June 14, 2010, the District entered into the Contract for Groundwater Reduction Planning, Alternative Water Supply, and Related Goods and Services with the San Jacinto River Authority (the "Authority"). The District and the Authority operate within the boundaries of Lone Star Groundwater Conservation District (the "Conservation District"). See Note 9. The Authority has developed supplies of surface water that, when taken together with groundwater withdrawals to be permitted by the Conservation District, are reasonably believed to be adequate to satisfy the total water demands of Montgomery County. On December 13, 2012, the District and the Authority executed a supplemental agreement to the Contract calling for the District to design and construct a surface water treatment and transmission system (the "Project") to provide phased treatment, transmission and delivery of Authority's surface water to regulated users for blending with groundwater supplies, so that regulated users may continue to pump groundwater. The project has been completed and the facilities have been conveyed to the Authority for operation and maintenance. The Authority contributed \$1,588,990 to the District to finance the Project.

The Authority will develop a Groundwater Reduction Plan (the "GRP") for all participants. The Authority charges a fee, currently \$2.64 per 1,000 gallons, based on the amount of groundwater used. The fee for surface water used is \$2.83 per 1,000 gallons. These fees enable the Authority to achieve, maintain and implement the GRP. The term of this contract expires on December 31, 2045. During the current fiscal year, the District recorded an expenditure of \$1,054,114 in relation to this contract.

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RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2019

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2019**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,200,000	\$ 1,049,807	\$ (150,193)
Water Service	1,100,000	948,173	(151,827)
Wastewater Service	1,350,000	1,302,950	(47,050)
Groundwater Conservation District Fees	35,000	39,782	4,782
Surface Water Revenues	1,300,000	1,071,301	(228,699)
Penalty and Interest	65,000	52,756	(12,244)
Tap Connection and Inspection Fees	2,500	1,950	(550)
Investment Revenues	7,500	9,197	1,697
Miscellaneous Revenues	86,000	107,861	21,861
TOTAL REVENUES	\$ 5,146,000	\$ 4,583,777	\$ (562,223)
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 180,000	\$ 171,092	\$ 8,908
Contracted Services	286,000	270,634	15,366
Security Services	700,000	688,251	11,749
Solid Waste Disposal	675,000	615,414	59,586
Utilities	215,000	195,564	19,436
Surface Water Fees/Pumpage Fees	1,250,000	1,054,114	195,886
Repairs and Maintenance	790,000	659,627	130,373
Parks and Recreation	150,000	182,302	(32,302)
Other	509,000	461,160	47,840
Capital Outlay	250,000	177,256	72,744
TOTAL EXPENDITURES	\$ 5,005,000	\$ 4,475,414	\$ 529,586
NET CHANGE IN FUND BALANCE	\$ 141,000	\$ 108,363	\$ (32,637)
FUND BALANCE - JUNE 1, 2018	3,181,593	3,181,593	
FUND BALANCE - MAY 31, 2019	\$ 3,322,593	\$ 3,289,956	\$ (32,637)

See accompanying independent auditor's report.

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RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MAY 31, 2019

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2019**

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> X </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> X </u>	Law Enforcement
<u> X </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
<u> X </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 5/8” METER (OR EQUIVALENT):

Based on the rate order effective April 1, 2017.

	<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:	\$ 14.50	6,000	N	\$ 1.65 \$ 2.25 \$ 3.00 \$ 3.50 \$ 3.75	6,001 to 12,000 12,001 to 22,000 22,001 to 32,000 32,001 to 42,000 42,001 and up
WASTEWATER:	\$ 26.70	6,000	N	\$ 1.25	6,001 and up
SURCHARGE:					
Solid Waste/ Garbage	Included as part of minimum charge above				
Commission					
Regulatory					
Assessments					
Regional Water					
Authority Fees					
(Groundwater					
Use Fee)	\$0.116 per 1,000 gallons of water used (LSGCD)				
	\$3.113 per 1,000 gallons of water used (SJRA)				

District employs winter averaging for wastewater usage? Yes X No

Total monthly charges per 10,000 gallons usage: Water: \$21.10 Wastewater: \$31.70 Surcharge: \$32.29 Total: \$85.09

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2019

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	
≤ ³ / ₄ "	<u>3,726</u>	<u>3,683</u>	x 1.0	<u>3,683</u>
1"	<u>44</u>	<u>41</u>	x 2.5	<u>103</u>
1½"	<u>10</u>	<u>10</u>	x 5.0	<u>50</u>
2"	<u>39</u>	<u>38</u>	x 8.0	<u>304</u>
3"	<u>1</u>	<u>1</u>	x 15.0	<u>15</u>
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>3,820</u></u>	<u><u>3,773</u></u>		<u><u>4,155</u></u>
Total Wastewater Connections	<u><u>3,632</u></u>	<u><u>3,586</u></u>	x 1.0	<u><u>3,586</u></u>

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

Gallons pumped into system:	187,720,000	Water Accountability Ratio: 95.1% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	337,652,000	
Loss, leaks or flushing:	2,605,000	
Gallons purchased:	170,114,000	From: San Jacinto River Authority

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2019

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

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

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

Entirely _____ Partly X Not at all _____

ETJ's in which District is located:

City of Houston, Texas

City of Conroe, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2019

PROFESSIONAL FEES:	
Auditing	\$ 14,250
Engineering	61,916
Legal	<u>94,926</u>
TOTAL PROFESSIONAL FEES	<u>\$ 171,092</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 36,276
Operations and Billing	<u>234,358</u>
TOTAL CONTRACTED SERVICES	<u>\$ 270,634</u>
UTILITIES	<u>\$ 195,564</u>
REPAIRS AND MAINTENANCE	<u>\$ 659,627</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 6,000
Dues	650
Insurance	24,569
Legal Notices	803
Office Supplies and Postage	104,002
Payroll Taxes	478
Election Costs	3,617
Travel and Meetings	1,645
Surface Water Fees/Pumpage Fees	1,054,114
Other	<u>14,959</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 1,210,837</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2019

CAPITAL OUTLAY:	
Capitalized Assets	\$ 177,256
Expenditures Not Capitalized	<u> </u>
TOTAL CAPITAL OUTLAY	<u>\$ 177,256</u>
SOLID WASTE DISPOSAL	<u>\$ 615,414</u>
SECURITY	<u>\$ 688,251</u>
PARKS AND RECREATION	<u>\$ 182,302</u>
OTHER EXPENDITURES:	
Chemicals	\$ 73,448
Laboratory Fees	44,331
Permit Fees	50,787
Reconnection Fees	19,300
Inspection Fees	317
Regulatory Assessment	11,081
Sludge Hauling	<u>105,173</u>
TOTAL OTHER EXPENDITURES	<u>\$ 304,437</u>
TOTAL EXPENDITURES	<u>\$ 4,475,414</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
INVESTMENTS
MAY 31, 2019

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	XXXX3351	2.25%	07/27/19	\$ 242,518	\$ 1,869
Certificate of Deposit	XXXX0771	2.35%	08/02/19	104,511	801
Certificate of Deposit	XXXX9301	2.40%	09/09/19	104,170	555
Certificate of Deposit	XXXX4231	2.45%	10/09/19	244,573	837
Certificate of Deposit	XXXX5154	2.40%	10/08/19	244,841	837
TOTAL DEBT SERVICE FUND				<u>\$ 940,613</u>	<u>\$ 4,899</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2019

	Maintenance Taxes		Debt Service Taxes		
TAXES RECEIVABLE -					
JUNE 1, 2018	\$	18,666	\$	53,521	
Adjustments to Beginning					
Balance		<u>427</u>	\$	<u>1,404</u>	
		\$	19,093	\$	54,925
Original 2018 Tax Levy	\$	1,048,150	\$	2,515,561	
Adjustment to 2018 Tax Levy		<u>(2,328)</u>	<u>1,045,822</u>	<u>(5,587)</u>	<u>2,509,974</u>
TOTAL TO BE					
ACCOUNTED FOR		\$	1,064,915	\$	2,564,899
 TAX COLLECTIONS:					
Prior Years	\$	13,662	\$	33,590	
Current Year		<u>1,036,145</u>	<u>1,049,807</u>	<u>2,486,748</u>	<u>2,520,338</u>
 TAXES RECEIVABLE -					
MAY 31, 2019		<u>\$</u>	<u>15,108</u>	<u>\$</u>	<u>44,561</u>
 TAXES RECEIVABLE BY					
YEAR:					
2018	\$	9,677	\$	23,226	
2017		1,141		2,738	
2016		845		2,141	
2015		845		2,253	
2014		525		1,817	
2013		352		1,571	
2012		328		1,672	
2011		302		1,738	
2010		323		1,754	
2009		348		1,893	
2008		227		1,443	
2007		91		619	
2006		52		811	
2005		<u>52</u>		<u>885</u>	
TOTAL	\$	<u>15,108</u>	\$	<u>44,561</u>	

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
ANALYSIS OF TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2019

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PROPERTY VALUATIONS:				
Land	\$ 76,964,070	\$ 73,105,360	\$ 73,094,350	\$ 71,126,010
Improvements	704,690,360	711,314,350	692,463,530	662,059,410
Personal Property	16,959,859	16,170,886	15,826,974	15,336,193
Exemptions	<u>(100,773,916)</u>	<u>(100,575,126)</u>	<u>(102,685,494)</u>	<u>(106,567,662)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 697,840,373</u>	<u>\$ 700,015,470</u>	<u>\$ 678,699,360</u>	<u>\$ 641,953,951</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.36	\$ 0.36	\$ 0.38	\$ 0.40
Maintenance	<u>0.15</u>	<u>0.15</u>	<u>0.15</u>	<u>0.15</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.51</u>	<u>\$ 0.51</u>	<u>\$ 0.53</u>	<u>\$ 0.55</u>
ADJUSTED TAX LEVY*	<u>\$ 3,555,796</u>	<u>\$ 3,570,565</u>	<u>\$ 3,597,538</u>	<u>\$ 3,531,329</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.07 %</u>	<u>99.89 %</u>	<u>99.92 %</u>	<u>99.91 %</u>

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

Maintenance Tax – Maximum tax rate of \$0.15 per \$100 of assessed valuation approved by voters on March 9, 1978.

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

REFUNDING SERIES - 2011

Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2020	\$ 520,000	\$ 62,250	\$ 582,250
2021	525,000	36,250	561,250
2022	125,000	10,000	135,000
2023	125,000	5,000	130,000
2024			
2025			
2026			
2027			
2028			
2029			
	<u>\$ 1,295,000</u>	<u>\$ 113,500</u>	<u>\$ 1,408,500</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

S E R I E S - 2 0 1 1 A			
Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2020	\$ 25,000	\$ 138,500	\$ 163,500
2021	25,000	137,625	162,625
2022	25,000	136,750	161,750
2023	25,000	135,875	160,875
2024	400,000	135,000	535,000
2025	400,000	121,000	521,000
2026	600,000	106,000	706,000
2027	600,000	83,500	683,500
2028	800,000	61,000	861,000
2029	800,000	31,000	831,000
	\$ 3,700,000	\$ 1,086,250	\$ 4,786,250

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

REFUNDING SERIES - 2012

Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2020	\$ 315,000	\$ 110,150	\$ 425,150
2021	330,000	100,700	430,700
2022	745,000	90,800	835,800
2023	760,000	61,000	821,000
2024	375,000	30,600	405,600
2025	390,000	15,600	405,600
2026			
2027			
2028			
2029			
	<u>\$ 2,915,000</u>	<u>\$ 408,850</u>	<u>\$ 3,323,850</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

REFUNDING SERIES - 2013

Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2020	\$ 370,000	\$ 113,325	\$ 483,325
2021	365,000	102,225	467,225
2022	410,000	91,275	501,275
2023	405,000	78,975	483,975
2024	500,000	65,813	565,813
2025	510,000	49,562	559,562
2026	510,000	32,988	542,988
2027	505,000	16,412	521,412
2028			
2029			
	<u>\$ 3,575,000</u>	<u>\$ 550,575</u>	<u>\$ 4,125,575</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

REFUNDING SERIES - 2014

Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2020	\$ 530,000	\$ 61,400	\$ 591,400
2021	525,000	45,500	570,500
2022	525,000	29,750	554,750
2023	325,000	11,375	336,375
2024			
2025			
2026			
2027			
2028			
2029			
	<u>\$ 1,905,000</u>	<u>\$ 148,025</u>	<u>\$ 2,053,025</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

REFUNDING SERIES - 2015

Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2020	\$ 270,000	\$ 66,528	\$ 336,528
2021	265,000	59,400	324,400
2022	260,000	52,404	312,404
2023	260,000	45,540	305,540
2024	255,000	38,676	293,676
2025	250,000	31,944	281,944
2026	245,000	25,344	270,344
2027	240,000	18,876	258,876
2028	240,000	12,540	252,540
2029	<u>235,000</u>	<u>6,204</u>	<u>241,204</u>
	<u>\$ 2,520,000</u>	<u>\$ 357,456</u>	<u>\$ 2,877,456</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending May 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 2,030,000	\$ 552,153	\$ 2,582,153
2021	2,035,000	481,700	2,516,700
2022	2,090,000	410,979	2,500,979
2023	1,900,000	337,765	2,237,765
2024	1,530,000	270,089	1,800,089
2025	1,550,000	218,106	1,768,106
2026	1,355,000	164,332	1,519,332
2027	1,345,000	118,788	1,463,788
2028	1,040,000	73,540	1,113,540
2029	1,035,000	37,204	1,072,204
	<u>\$ 15,910,000</u>	<u>\$ 2,664,656</u>	<u>\$ 18,574,656</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2019

Description	Original Bonds Issued	Bonds Outstanding June 1, 2018
Rayford Road Municipal Utility District Unlimited Tax Refunding Bonds - Series 2011	\$ 5,885,000	\$ 2,185,000
Rayford Road Municipal Utility District Unlimited Tax Bonds - Series 2011A	3,850,000	3,725,000
Rayford Road Municipal Utility District Unlimited Tax Refunding Bonds - Series 2012	4,815,000	3,220,000
Rayford Road Municipal Utility District Unlimited Tax Refunding Bonds - Series 2013	4,010,000	3,695,000
Rayford Road Municipal Utility District Unlimited Tax Refunding Bonds - Series 2014	4,595,000	2,440,000
Rayford Road Municipal Utility District Unlimited Tax Refunding Bonds - Series 2015	<u>2,925,000</u>	<u>2,660,000</u>
TOTAL	<u>\$ 26,080,000</u>	<u>\$ 17,925,000</u>
 Bond Authority:	 <u>Tax Bonds*</u>	 <u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 43,350,000	\$ 39,500,000
Amount Issued	<u>43,350,000</u>	<u>3,284,393</u>
Remaining to be Issued	<u>\$ - 0 -</u>	<u>\$ 36,215,607</u>

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding May 31, 2019</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 890,000	\$ 97,850	\$ 1,295,000	Mellon Trust Company, N.A Dallas, TX
	25,000	139,500	3,700,000	The Bank of New York Mellon Trust Company, N.A Dallas, TX
	305,000	117,775	2,915,000	The Bank of New York Mellon Trust Company, N.A Dallas, TX
	120,000	116,925	3,575,000	The Bank of New York Mellon Trust Company, N.A Dallas, TX
	535,000	77,450	1,905,000	The Bank of New York Mellon Trust Company, N.A Dallas, TX
	<u>140,000</u>	<u>70,224</u>	<u>2,520,000</u>	The Bank of New York Mellon Trust Company, N.A Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 2,015,000</u>	<u>\$ 619,724</u>	<u>\$ 15,910,000</u>	

Debt Service Fund cash and investment balances as of May 31, 2019: \$ 1,398,698

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,857,466

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

* 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.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 1,049,807	\$ 1,046,193	\$ 1,014,896
Water Service	948,173	949,104	1,031,945
Wastewater Service	1,302,950	1,317,678	1,342,534
Groundwater Conservation District Fees	39,782	32,237	28,341
Surface Water Revenues	1,071,301	1,102,424	1,144,294
Penalty and Interest	52,756	56,272	60,198
Tap Connection and Inspection Fees	1,950	2,595	1,970
Investment Revenues	9,197	7,479	4,993
Miscellaneous Revenues	107,861	86,801	59,979
TOTAL REVENUES	\$ 4,583,777	\$ 4,600,783	\$ 4,689,150
EXPENDITURES			
Professional Fees	\$ 171,092	\$ 138,617	\$ 159,439
Contracted Services	270,634	267,191	246,324
Security Services	688,251	628,559	668,951
Solid Waste Disposal	615,414	710,941	642,254
Utilities	195,564	217,741	221,250
Groundwater Conservation District Assessment			
Surface Water Fees/Pumpage Fees	1,054,114	1,062,492	1,143,430
Repairs and Maintenance	659,627	699,706	620,589
Park and Recreation	182,302	194,841	155,165
Other	461,160	446,194	425,429
Capital Outlay	177,256	354,192	239,049
TOTAL EXPENDITURES	\$ 4,475,414	\$ 4,720,474	\$ 4,521,880
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 108,363	\$ (119,691)	\$ 167,270
OTHER FINANCING SOURCES (USES)			
Contribution from Other Governmental Entity	\$ -0-	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 108,363	\$ (119,691)	\$ 167,270
BEGINNING FUND BALANCE	3,181,593	3,301,284	3,134,014
ENDING FUND BALANCE	\$ 3,289,956	\$ 3,181,593	\$ 3,301,284

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2016	2015	2019	2018	2017	2016	2015
\$ 958,592	\$ 761,122	22.8 %	22.7 %	21.7 %	20.9 %	18.6 %
1,049,623	989,197	20.7	20.6	22.0	22.9	24.1
1,346,888	1,322,427	28.4	28.6	28.6	29.4	32.2
27,763	25,603	0.9	0.7	0.6	0.6	0.6
1,106,260	886,408	23.4	24.0	24.4	24.1	21.6
63,358	62,408	1.2	1.2	1.3	1.4	1.5
630	655		0.1			
4,036	3,573	0.2	0.2	0.1	0.1	0.1
28,828	52,561	2.4	1.9	1.3	0.6	1.3
<u>\$ 4,585,978</u>	<u>\$ 4,103,954</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 170,246	\$ 103,438	3.7 %	3.0 %	3.4 %	3.7 %	2.5 %
240,039	222,446	5.9	5.8	5.3	5.2	5.4
627,593	512,315	15.0	13.7	14.3	13.7	12.5
623,233	585,654	13.4	15.5	13.7	13.6	14.3
206,270	232,685	4.3	4.7	4.7	4.5	5.7
6,324	37,500				0.1	0.9
1,058,704	809,076	23.0	23.1	24.4	23.1	19.7
581,236	398,194	14.4	15.2	13.2	12.7	9.7
134,261	202,886	4.0	4.2	3.3	2.9	4.9
442,501	478,803	10.1	9.7	9.1	9.6	11.7
246,371	1,393,412	3.9	7.7	5.1	5.4	34.0
<u>\$ 4,336,778</u>	<u>\$ 4,976,409</u>	<u>97.7 %</u>	<u>102.6 %</u>	<u>96.5 %</u>	<u>94.5 %</u>	<u>121.3 %</u>
<u>\$ 249,200</u>	<u>\$ (872,455)</u>	<u>2.3 %</u>	<u>(2.6) %</u>	<u>3.5 %</u>	<u>5.5 %</u>	<u>(21.3) %</u>
<u>\$ -0-</u>	<u>\$ 1,586,060</u>					
\$ 249,200	\$ 713,605					
2,884,814	2,171,209					
<u>\$ 3,134,014</u>	<u>\$ 2,884,814</u>					

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 2,520,338	\$ 2,513,100	\$ 2,574,751
Penalty and Interest	13,399	11,368	11,552
Investment Revenues	22,131	12,061	5,948
Miscellaneous Revenues	<u>2,434</u>	<u>2,434</u>	<u>2,434</u>
TOTAL REVENUES	<u>\$ 2,555,868</u>	<u>\$ 2,538,963</u>	<u>\$ 2,592,251</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 54,457	\$ 35,977	\$ 46,001
Debt Service Principal	2,015,000	1,975,000	1,965,000
Debt Service Interest and Fees	623,774	673,120	720,568
Bond Issuance Costs	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>\$ 2,693,231</u>	<u>\$ 2,684,097</u>	<u>\$ 2,731,569</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (137,363)</u>	<u>\$ (145,134)</u>	<u>\$ (139,318)</u>
OTHER FINANCING SOURCES (USES)			
Refunding Bonds	\$	\$	\$
Payment to Refunding Bond Escrow Agent	<u> </u>	<u> </u>	<u> </u>
Bond Discount	<u> </u>	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	\$ (137,363)	\$ (145,134)	\$ (139,318)
BEGINNING FUND BALANCE	<u>1,476,364</u>	<u>1,621,498</u>	<u>1,760,816</u>
ENDING FUND BALANCE	<u>\$ 1,339,001</u>	<u>\$ 1,476,364</u>	<u>\$ 1,621,498</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>3,773</u>	<u>3,777</u>	<u>3,779</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>3,586</u>	<u>3,607</u>	<u>3,605</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2016	2015	2019	2018	2017	2016	2015
\$ 2,560,450	\$ 2,637,636	98.6 %	99.0 %	99.4 %	99.3 %	99.3 %
13,993	13,203	0.5	0.4	0.4	0.5	0.5
5,734	5,945	0.9	0.5	0.2	0.2	0.2
			0.1			
<u>\$ 2,580,177</u>	<u>\$ 2,656,784</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 43,993	\$ 28,774	2.1 %	1.4 %	1.8 %	1.7 %	1.1 %
1,995,000	1,895,000	78.8	77.8	75.8	77.3	71.3
737,014	866,988	24.4	26.5	27.8	28.6	32.6
85,077					3.3	
<u>\$ 2,861,084</u>	<u>\$ 2,790,762</u>	<u>105.3 %</u>	<u>105.7 %</u>	<u>105.4 %</u>	<u>110.9 %</u>	<u>105.0 %</u>
<u>\$ (280,907)</u>	<u>\$ (133,978)</u>	<u>(5.3) %</u>	<u>(5.7) %</u>	<u>(5.4) %</u>	<u>(10.9) %</u>	<u>(5.0) %</u>
\$ 2,925,000	\$					
(2,840,660)						
<u>\$ 84,340</u>	<u>\$ -0-</u>					
\$ (196,567)	\$ (133,978)					
<u>1,957,383</u>	<u>2,091,361</u>					
<u>\$ 1,760,816</u>	<u>\$ 1,957,383</u>					
<u>3,777</u>	<u>3,772</u>					
<u>3,606</u>	<u>3,593</u>					

See accompanying independent auditor's report.

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2019**

District Mailing Address - Rayford Road Municipal Utility District
c/o Smith, Murdaugh, Little & Bonham, LLP
2727 Allen Parkway, Suite 1100
Houston, TX 77019

District Telephone Number - (713) 652-6500

Board Members	Term of Office (Elected or <u>Appointed</u>)	Fees of Office for the year ended <u>May 31, 2019</u>	Expense Reimbursements for the year ended <u>May 31, 2019</u>	<u>Title</u>
Jon Vallery	05/18 – 05/22 (Elected)	\$ 1,500	\$ -0-	President
Frank Moore	05/16 – 05/20 (Elected)	\$ 1,125	\$ -0-	Vice President
Brendon Keith	05/16 – 05/20 (Elected)	\$ 1,000	\$ -0-	Secretary
James Ridgway	05/18 – 05/22 (Elected)	\$ 2,000	\$ 835	Director
Glenn Kourik	03/19 – 05/22 (Appointed)	\$ 250	\$ -0-	Director
Former Board Members				
James W. Nichols	05/18 – 02/19 (Resigned)	\$ -0-	\$ -0-	Director

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

Submission date of most recent District Registration Form: August 13, 2019

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on July 14, 2003. Fees of Office are the amounts actually paid to a Director during the District’s current fiscal year.

See accompanying independent auditor’s report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2019

	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2019</u>	<u>Title</u>
Consultants:			
Smith, Murdaugh, Little & Bonham, LLP	05/84	\$ 101,187	General Counsel
McCall Gibson Swedlund Barfoot PLLC	05/10/99	\$ 14,250	Auditor
Myrtle Cruz, Inc.	12/80	\$ 38,972	Bookkeeper
Linebarger Goggan Blair & Sampson, LLP	07/01/08	\$ 5,739	Delinquent Tax Attorney
IDS Engineering Group	12/14/98	\$ 115,605	Engineer
Masterson Advisors LLC	06/11/18	\$ -0-	Financial Advisor
Bill Russell	02/04	\$ -0-	Investment Officer
Municipal Operations & Consulting	05/13/02	\$ 1,080,592	Operator
Montgomery County		\$ 607,855	Security

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