**OFFICIAL STATEMENT DATED FEBRUARY 20, 2020**

**In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Special Tax Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Special Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.**

*The District has designated the Bonds as "qualified tax-exempt obligations" for purposes of the calculation of interest expense by financial institutions which may own the Bonds. See "TAX MATTERS -- Qualified Tax-Exempt Obligations for Financial Institutions."*

| | |
|---|---|
| **NEW ISSUE** | **RATINGS: (S&P–AGM) "AA" (stable outlook)** |
| **BOOK-ENTRY ONLY** | **(See "BOND INSURANCE" herein)** |
| **CUSIP Base No. 414948** | **(S&P's–underlying) "BBB-")** |

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148

**(A political subdivision of the State of Texas located within Harris County, Texas)**

## $4,870,000

## UNLIMITED TAX REFUNDING BONDS, SERIES 2020

**Bonds Dated: February 1, 2020** **Due: April 1, as shown on inside cover**

The $4,870,000 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds") are obligations solely of Harris County Municipal Utility District No. 148 (the "District") and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any other political subdivision or agency. See "THE BONDS--Source of and Security for Payment."

Interest on the Bonds will accrue from February 1, 2020, will be payable April 1, 2020 (two-month period) and each October 1 and April 1 thereafter, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are issuable only in fully registered form in the principal denominations of $5,000 or integral multiples thereof initially registered solely in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds, until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, the Bonds shall be payable to Cede & Co., which will in turn, remit such amount to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS--Book-Entry-Only System."

Principal of, interest on and the redemption price for the Bonds are payable by UMB Bank n.a., Houston, Texas, or any successor paying agent/registrar (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check mailed on or before the interest payment date to registered owners shown on the records of the Paying Agent/Registrar on the fifteenth day of the month preceding each interest payment date or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the registered owner at the risk and expense of the registered owner. See "THE BONDS--Description."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.

ASSURED GUARANTY® MUNICIPAL

SEE INSIDE COVER PAGE FOR MATURITY SCHEDULE

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS--Source of and Security for Payment." The Bonds are subject to special risk factors described herein. See "RISK FACTORS." **Neither the State of Texas, Harris County, Texas, the City of Houston, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds.**

The Bonds will be delivered when, as, and if issued by the District and accepted by the initial purchaser of the Bonds (the "Underwriter"), subject, amongst other things, to the approval of the Initial Bonds by the Attorney General of the State of Texas and by the approval of certain legal matters by Strawn & Richardson, P.C., Bellaire, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Special Tax Counsel. Certain matters will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Underwriter's Counsel. Delivery of the Bonds is expected on March 25, 2020, in Houston, Texas.

## SAMCO Capital Markets, Inc.
## UMB BANK

# MATURITY SCHEDULE

**Bonds Dated: February 1, 2020** **Due: April 1, as shown below**

| *Maturity* | *Amount* | *Interest Rate* | *Initial Yield(a)* | *CUSIP (b)* | *Maturity* | *Amount* | *Interest Rate* | *Initial Yield(a)* | *CUSIP (b)* |
|---|---|---|---|---|---|---|---|---|---|
| 2020 | $50,000 | 2.000% | 1.000% | 414948 HP7 | 2028(c) | $305,000 | 2.000% | 1.650% | 414948 HX0 |
| 2021 | 175,000 | 2.000% | 1.040% | 414948 HQ5 | 2029(c) | 310,000 | 2.000% | 1.800% | 414948 HY8 |
| 2022 | 180,000 | 2.000% | 1.100% | 414948 HR3 | 2030(c) | 325,000 | 2.000% | 2.000% | 414948 HZ5 |
| 2023 | 185,000 | 2.000% | 1.150% | 414948 HS1 | 2031(c) | 330,000 | 2.000% | 2.120% | 414948 JA8 |
| 2024 | 185,000 | 2.000% | 1.200% | 414948 HT9 | 2032(c) | 505,000 | 2.000% | 2.210% | 414948 JB6 |
| 2025 | 190,000 | 2.000% | 1.310% | 414948 HU6 | 2033(c) | 525,000 | 2.000% | 2.260% | 414948 JC4 |
| 2026 | 195,000 | 2.000% | 1.390% | 414948 HV4 | 2034(c) | 545,000 | 2.125% | 2.310% | 414948 JD2 |
| 2027(c) | 295,000 | 2.000% | 1.500% | 414948 HW2 | 2035(c) | 570,000 | 2.250% | 2.360% | 414948 JE0 |

(a) Initial yield represents the initial reoffering yield to the public which has been established by the Underwriter for public offerings and which subsequently may be changed. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from February 1, 2020 is to be added to the price.

(b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

(c) Bonds maturing on or after April 1, 2027, are subject to redemption prior to maturity at the option of the District, as a whole or from time to time in part, on April 1, 2026 or on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS–Optional Redemption."

**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 "BOND INSURANCE" and "APPENDIX B–Specimen Municipal Bond Insurance Policy."**

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## USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or 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. The District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Underwriter and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT-- Updating the Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this offering document.

## SALE AND DISTRIBUTION OF THE BONDS

### Prices and Marketability

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

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING 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 special district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional governmental entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

**Securities Laws**

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

**Underwriter**

The Bonds are being purchased by SAMCO Capital Markets, Inc. and UMB Bank (collectively, the "Underwriter") pursuant to a bond purchase agreement with the District (the "Bond Purchase Agreement") at a price of $4,825,927.95 (being the par amount of the Bonds, less an underwriter's discount of $40,431.95, less an original issue discount of $3,640.10) plus accrued interest on the Bonds to the date of delivery. The obligation of the Underwriter to purchase the Bonds is subject to certain conditions contained in the Bond Purchase Agreement.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the inside cover page hereof. The initial offering price may be changed from time to time by the Underwriter within the guidelines prescribed by applicable laws and regulations of the United States Securities and Exchange Commission.

**Municipal Bond Rating**

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign its municipal rating of "AA" (stable outlook) to the Bonds, as a result of a municipal bond insurance policy issued by Assured Guaranty Municipal Corp. at the time of delivery of the Bonds (see "BOND INSURANCE" and "APPENDIX B–Specimen Municipal Bond Insurance Policy"). An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the views of S&P and the District makes no representation as to the appropriateness of such rating.

In connection with the sale of the Bonds, the District made application to S&P, which has assigned a rating of "BBB-" to the Bonds. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of such rating.

The District can make no assurance that the S&P ratings will continue for any period of time or that such ratings will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

## SUMMARY

The following information is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement, reference to which is made for all purposes. This summary should not be detached and should be used in conjunction with more complete information contained herein.

### - The District -

| | |
|---|---|
| Issuer/Description | Harris County Municipal Utility District No. 148 (the "District") was created effective December 20, 1976 by an order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality ("TCEQ"), and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District contains approximately 756.30 acres. See "THE DISTRICT." |
| Location | Located approximately thirteen miles northeast of downtown Houston, the District is bisected by North Lake Houston Parkway and bounded on the east by Lockwood Drive. The District lies wholly within the exclusive extraterritorial jurisdiction of the City of Houston and within the boundaries of the Sheldon Independent School District and Houston Independent School District. See "THE DISTRICT." |
| Authority | The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT–Description." |
| Development | The District is being developed primarily as a single-family residential subdivision. As of January 2020, the District served 1,656 single-family homes, 26 homes under construction, 2 non-profit customers, and 9 commercial accounts. Current residential building activity is taking place in Greensbrook Place, Sections 5 & 6 and in Village of Kings Lake, Section 4. See "DEVELOPMENT OF THE DISTRICT."<br><br>Hurricane Harvey, which struck the Houston area on August 26, 2017, caused historic levels of rainfall and significant damage in the Houston area, with hundreds of homes and the District office building flooded within the District. Most of the homes and businesses have been rebuilt, but additional weather events in the future could have a negative impact on homes and businesses, and assessed valuations, in the District. See "TAX PROCEDURES–Reappraisal of Property after Disaster" and "–Tax Payment Installments after Disaster;" "RISK FACTORS–Hurricane Harvey," "--Recent Extreme Weather Events; Hurricane Harvey," and "–Specific Flood Type Risks." |
| Developers | The District is being developed by Woodmere Development Co. Ltd ("Woodmere"). See "THE DEVELOPERS." |

### - The Bonds -

| | |
|---|---|
| Description | The $4,870,000 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds") are dated February 1, 2020, and bear interest from such date at the rates per annum set forth on the inside cover page hereof, which interest is payable April 1, 2020 and each October 1 and April 1 thereafter until the earlier of maturity or redemption. The Bonds mature serially on April 1 in the years 2020 through 2035, both inclusive, in the principal amounts set forth on the inside cover page hereof. The Bonds maturing on or after April 1, 2027, will be callable at the option of the District at par plus any unpaid accrued interest on any date on or after April 1, 2026. See "THE BONDS — Description" and " — Optional Redemption." |
| Source of Payment | Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the |

| | |
|---|---|
| | District. The Bonds are obligations of the District and are not obligations of Harris County, the City of Houston, the State of Texas or any political subdivision other than the District. See "THE BONDS — Source of and Security for Payment." |
| Use of Proceeds | Proceeds of the Bonds will be used to currently refund the outstanding portions of the District's Unlimited Tax Bonds, Series 2009B and Unlimited Tax Bonds, Series 2012 (collectively the "Refunded Bonds"); and to pay the costs of issuance of the Bonds. See "THE BONDS — Use of Proceeds." |
| Qualified Tax-Exempt Obligations | The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended, and represents that the total amount of tax-exempt bonds (including the Bonds) issued by it during the calendar year 2020 is not reasonably expected to exceed $10,000,000. See "TAX MATTERS--Qualified Tax-Exempt Obligations." |
| Payment Record | The District has never defaulted on the payment of any bonded indebtedness. See "DISTRICT DEBT." |
| Book-Entry Only System | The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York, 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 UMB Bank n.a., Austin, Texas, the initial paying agent/registrar, to Cede & Co. and Cede & Co. will make distribution of the amounts so paid to the beneficial owners of the Bonds. See 'THE BONDS--Book-Entry-Only System". |
| Legal Opinions | Strawn & Richardson, P.C., Bellaire, Texas, Bond Counsel. See "LEGAL MATTERS." |
| Underwriter's and Special Tax Counsel | Orrick, Herrington & Sutcliffe LLP, Houston, Texas |
| Verification Agent | Ritz & Associates PA, A Professional Association, Bloomington, Minnesota. |
| Financial Advisor | Blitch Associates, Inc., Houston, Texas. |
| Municipal Bond Rating | The District made application to S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC business ("S&P"), which has assigned an underlying rating of "BBB-" to the Bonds. See "SALE AND DISTRIBUTION OF THE BONDS--Municipal Bond Rating." |
| Municipal Bond Rating and Municipal Bond Insurance | S&P is expected to assign a municipal rating of "AA" (stable outlook) as a result of a municipal bond insurance policy issued by Assured Guaranty Municipal Corp. See "SALE AND DISTRIBUTION OF THE BONDS–Municipal Bond Rating," "BOND INSURANCE" and "APPENDIX B–Specimen Municipal Bond Insurance Policy." |

## RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "RISK FACTORS."

**- Financial Highlights -**
**(Unaudited)**

| | | | |
|---|---|---|---|
| 2019 Taxable Assessed Valuation (100% of Market Value) | | $209,452,119 | (a) |
| Direct Debt | | | |
| Outstanding Bonds (As of January 1, 2020) | | $21,655,000 | (b) |
| Less: The Refunded Bonds | | (4,535,000) | |
| The Bonds | | 4,870,000 | |
| Total Direct Debt | | $21,990,000 | |
| Estimated Overlapping Debt | | 17,908,285 | |
| Direct and Estimated Overlapping Debt | | $38,898,285 | |
| Direct Debt Ratios: | | | |
| Direct Debt to Value | | 10.50% | |
| Direct & Estimated Overlapping Debt to Value | | 19.05% | |
| 2019 Tax Rate per $100 of Assessed Value | | | |
| Debt Service | | $0.550 | |
| Maintenance | | 0.393 | |
| Total | | $0.943 | |
| | ***Current*** | ***Total*** | |
| 2018 Tax Collection Percentage | 97.98% | 99.15% | |
| Five-Year Average (2014/2018) Collection Percentage | 97.70% | 100.01% | |
| Average Annual Debt Service Requirements (2020/45) | | $1,133,262 | (b) |
| Maximum Annual Debt Service Requirements (2045) | | $1,212,925 | (b) |
| Tax Rate Required to pay such Requirements at 98% Collection | | | |
| Average (2020/2045) | | $0.553 | |
| Maximum (2045) | | $0.591 | |
| Fund Balances as of January 14, 2020 (Cash & Investments) | | | |
| General Fund | | $2,710,578 | |
| Debt Service Fund | | $1,347,420 | |
| Capital Projects Fund | | $3,383,028 | |

(a) Certified by the Harris County Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
(b) Includes the Series 2020 Bonds, which are being issued concurrently with the Bonds. See "THE BONDS–Series 2020 Bonds."
(c) See "DISTRICT DEBT--Estimated Overlapping Debt."

## HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
## $4,870,000
## Unlimited Tax Refunding Bonds, Series 2020

This Official Statement of Harris County Municipal Utility District No. 148 (the "District") is provided to furnish certain information with respect to the sale by the District of its $4,870,000 Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”).

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas and an order authorizing the issuance of the Bonds (the "Order") adopted by the Board of Directors of the District (the "Board"), Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended. See "THE BONDS." The Board has delegated final pricing of the Bonds to an authorized representative who will execute a pricing certificate (the “Pricing Certificate”) on the date of sale of the Bonds to effectuate the sale. The Order and the Pricing Certificate are collectively referred to herein as the “Bond Order.”

This Official Statement includes descriptions of the Bonds, the Bond Order and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document, copies of which may be obtained by contacting the District, c/o Strawn & Richardson, P.C., 6750 West Loop South, Suite 865, Bellaire, Texas 77401.

## THE BONDS

### Description

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. A copy of the Bond Order may be obtained upon request to the District and payment of the applicable copying charges.

The Bonds will mature on April 1 of the years and in principal amounts, and will bear interest from February 1, 2020, at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable on April 1, 2020 (two-month period), and semiannually thereafter on each October 1 and April 1 until the earlier of maturity or redemption. Principal of and interest on the Bonds will be payable to Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“ DTC”), by the paying agent/registrar, initially UMB Bank n.a., Houston, Texas (the “Paying Agent/Registrar”). Cede & Co. will make distribution of the principal and interest so paid to the beneficial owners of the Bonds. For so long as DTC shall continue to serve as securities depository for the Bonds, all transfers of beneficial ownership interest will be made by book-entry only and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of the Bonds is to receive, hold or deliver any Bond certificate.

If at any time, DTC ceases to hold the Bonds as securities depository, then principal of the Bonds will be payable to the registered owner at maturity or redemption upon presentation and surrender at the principal payment office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th day of the month next preceding the interest payment date (the “Record Date”).

The Bonds of each maturity will be issued in fully-registered form only in the principal amount or maturity amount of $5,000 or any integral multiple thereof.

If the specified date for any payment of principal (or redemption price) or interest on the Bonds shall be a Saturday, Sunday or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the City of Houston, Texas, such payment may be made on the next succeeding date which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payments.

**Use of Proceeds**

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

| | |
|---|---|
| ***Sources:*** | |
| Par Amount | $4,870,000.00 |
| Accrued Interest | 14,925.94 |
| Total Sources | $4,884,925.94 |
| ***Uses:*** | |
| Cash Deposit for Refunding | $4,628,776.25 |
| Underwriter's Discount | 40,431.95 |
| Original Issue Discount | 3,640.10 |
| Deposit to Debt Service Fund | 14,925.94 |
| Cost of Issuance | 212,035.00 |
| Rounding Amount | 42.64 |
| Total Uses | $4,884,925.94 |

Proceeds of the Bonds will be used to currently refund the outstanding portions of the District's Unlimited Tax Bonds, Series 2009B and the Unlimited Tax Bonds, Series 2012 (collectively, the "Refunded Bonds"), and to pay the costs of issuance of the Bonds. The Refunded Bonds will be redeemed on April 1, 2020. The Refunded Bonds consist of the following:

| Maturity | Series 2009B Amount | Series 2009B Rate | Series 2012 Amount | | Series 2012 Rate |
|---|---|---|---|---|---|
| 2021 | $130,000 | 3.700% | | | |
| 2022 | 135,000 | 3.850% | | | |
| 2023 | 140,000 | 4.000% | | | |
| 2024 | 145,000 | 4.050% | | | |
| 2025 | 150,000 | 4.350% | | | |
| 2026 | 160,000 | 4.450% | | | |
| 2027 | 165,000 | 4.550% | $100,000 | (a) | 3.875% |
| 2028 | 170,000 | 4.600% | 110,000 | (a) | 3.875% |
| 2029 | 175,000 | 4.650% | 115,000 | (b) | 4.000% |
| 2030 | 185,000 | 4.700% | 125,000 | (b) | 4.000% |
| 2031 | 190,000 | 4.700% | 135,000 | (c) | 4.000% |
| 2032 | | | 505,000 | (c) | 4.000% |
| 2033 | | | 535,000 | (d) | 4.000% |
| 2034 | | | 565,000 | (d) | 4.000% |
| 2035 | | | 600,000 | (d) | 4.000% |
| Totals | $1,745,000 | | $2,790,000 | | |

(a) Represents sinking fund redemption payment for term bond maturing on April 1, 2028.
(b) Represents sinking fund redemption payment for term bond maturing on April 1, 2030.
(c) Represents sinking fund redemption payment for term bond maturing on April 1, 2032.
(d) Represents sinking fund redemption payment for term bond maturing on April 1, 2035.

**Refunded Bonds**

In the Bond Order, the District will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Bonds from money held by BOKF N.A. (the paying agent for the Series 2009B Bonds and the Series 2012 Bonds). BOKF NA., in their role as paying agent for the Refunded Bonds, is referred to herein as the "Paying Agent for the Refunded Bonds."

Proceeds from the sale of the Bonds will be used to refund the Refunded Bonds in order to lower the District's overall debt service and to pay costs of issuing the Bonds. The Refunded Bonds and the interest due thereon are to be paid on the date of redemption from funds to be deposited with the Paying Agent for the Refunded Bonds.

The Bond Order provides that from a portion of the proceeds of the sale of the Bonds to the underwriter listed on the cover page hereof ( the "Underwriter"), together with other legally available funds of the District, if any, the District will deposit with the Paying Agent for the Refunded Bonds, the amount necessary to accomplish the discharge and final payment of the Refunded Bonds.

Ritz & Associates PA, A Professional Association, a firm of independent certified public accountants, will verify at the time of delivery of the Bonds to the Underwriter thereof the mathematical accuracy of the schedules that demonstrate the funds on deposit with the Paying Agent for the Refunded Bonds will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Such funds on deposit with the Paying Agent for the Refunded Bonds will not be available to pay the Bonds. See "VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS."

By the deposit of the cash with the Paying Agent for the Refunded Bonds, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, and the order authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such deposit, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds, and such Refunded Bonds will be deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds deposited with the Paying Agent for the Refunded Bonds.

**Book-Entry-Only System**

*This section describes how ownership of the Bonds are to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal

Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is a 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through DTC Participants, which will receive a credit for such purchases 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 or 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 interest 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 the 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 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 such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC’s receipt of funds and corresponding detail information from the District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants shall 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds 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, Bonds will be printed and delivered.

*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 Bond Order will be given only to DTC. Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District or the Financial Advisor.

**Registration and Transfer**

The Bonds will be transferable only on the bond register kept by the Paying Agent/Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal aggregate principal of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the principal office of the Paying Agent/Registrar in Austin, Texas. No service charge will be made for any registration, transfer or exchange of Bonds, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. Neither the District nor the Paying Agent/Registrar is required to issue, transfer or exchange any Bond during the period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning 15 calendar days prior to the date of the first mailing of any notice of redemption and ending at the close of business on the date of such mailing, or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

**Optional Redemption**

The District reserves the right, at its option, to redeem the Bonds maturing on or after April 1, 2027, in whole or in part in principal amounts of $5,000 or any integral multiple thereof on April 1, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the Paying Agent/Registrar shall select by lot those Bonds to be redeemed.

At least thirty (30) days prior to the date fixed for any such redemption a written notice of such redemption shall be given to the registered owner of each Bond or a portion thereof being called for redemption by depositing such notice in the United States mail, first class, postage prepaid, addressed to each such registered owner at his address shown on the registration books of the Paying Agent/Registrar; provided, however, that the failure to receive such notice shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or the portions thereof which are to be so redeemed, plus accrued interest to the date fixed for redemption. If a portion of any Bond shall be redeemed, a substitute Bond having the same maturity date, bearing interest at the same rate, in any integral multiple of $5,000, and in aggregate principal amount equal to the unredeemed position thereof, will be issued to the registered owner upon the surrender of the Bonds being redeemed, at the expense of the District, all as provided for in the Bond Order.

**Ownership**

The District, the Paying Agent/Registrar and any agent of either may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of receiving payment of the principal and the interest thereon, and for all other purposes, whether or not such Bond is overdue. Neither the District, the Paying Agent/Registrar nor any agent of either shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the owner of any Bond in accordance with the Bond Order shall be valid and effective and shall discharge the liability of the District and the Paying Agent/Registrar for such Bond to the extent of the sums paid.

**Source of and Security for Payment**

The Bonds and the Outstanding Bonds (as hereinafter defined) (together with any additional unlimited tax and/or combination unlimited tax and revenue bonds as may hereafter be authorized and issued) are payable as to principal and interest from 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 annually a tax sufficient in amount to pay principal of and interest on the Bonds, full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the District's Debt Service Fund and used solely to pay principal and interest on the Bonds, the Outstanding Bonds (hereinafter defined) and on any additional bonds payable from taxes which may be issued. See "Issuance of Additional Debt" below.

**Replacement of Paying Agent/Registrar**

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

**Series 2020 Bonds**

The Texas Water Development Board has approved its purchase of the District's $3,800,000 Unlimited Tax Bonds, Series 2020 (the "Series 2020 Bonds"), which are expected to close on March 19, 2020. The Series 2020 Bonds will be used to construct additional System (herein defined) improvements.

**Authority for Issuance**

The District has issued three installments of unlimited tax and revenue bonds out of $13,000,000 authorized at an election held within the District for that purpose on November 8, 1977 and five installments of unlimited tax bonds out of $48,700,000 authorized at elections held within the District for that purpose on November 8, 1977 and May 12, 2007. Following issuance of the Bonds and the Series 2020 Bonds, an aggregate of $4,000,000 principal amount of unlimited tax and revenue bonds and $26,905,000 principal amount of unlimited tax bonds will remain authorized but unissued. In addition, the District has $18,440,000 in authorized but unissued unlimited tax refunding bonds authorized at the 1977 elections following issuance of the Bonds. See "Issuance of Additional Debt."

The Bonds are issued pursuant to the Bond Order, Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution.

**Outstanding Debt**

In addition to bonds issued by the District that have been retired or refunded, the District has previously issued $2,855,000 Unlimited Tax Bonds, Series 2009A (the "Series 2009A Bonds"); $2,710,000 Unlimited Tax Bonds, Series 2009B (the "Series 2009B Bonds"); $3,450,000 Unlimited Tax Bonds, Series 2012 (the "Series 2012 Bonds"); the $4,255,000 Unlimited Tax Refunding Bonds, Series 2013 (the "Series 2013 Bonds"); the $2,915,000 Unlimited Tax Bonds, Series 2018 (the "Series 2018 Bonds"); the $6,065,000 Unlimited Tax Bonds, Series 2019 (the "Series 2019 Bonds"); and the $3,800,000 Unlimited Tax Bonds (the "Series 2020 Bonds")

As of January 1, 2020 (except in the case of the Series 2020 Bonds, which close March 19, 2020), $1,780,000 of the Series 2009A Bonds; $1,870,000 of the Series 2009B Bonds; $2,790,000 of the Series 2012 Bonds; $2,435,000 of the Series 2013 Bonds; $2,915,000 of the Series 2018 Bonds; $6,065,000 of the Series 2019 Bonds; and $3,800,000 of the Series 2020 Bonds remain outstanding (collectively, the "Outstanding Bonds"). The District has timely made all payments due on the retired or refunded bonds and the Outstanding Bonds.

**Issuance of Additional Debt**

The District may issue additional bonds to provide those improvements for which the District was created. Following the issuance of the Bonds and the Series 2020 Bonds, $26,905,000 unlimited tax bonds, $4,000,000 unlimited tax and revenue bonds, and $18,440,000 unlimited tax refunding bonds authorized by the District's voters will remain unissued.

According to the District's Engineer, the remaining authorized but unissued bonds will be sufficient to extend the utility system to the remaining undeveloped acres within the District. Depending upon the rate of development and increases in assessed valuation of taxable property within the District and the amount, maturity schedule and time of issuance of such additional bonds, increases in the District's annual tax rate may be required to provide for the payment of the principal of and interest on such additional bonds, the Outstanding Bonds and the Bonds. Additional tax bonds and/or combination tax and revenue bonds may be voted in the future. The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the waterworks and sewer system therefor and to issue bond anticipation notes and tax anticipation notes.

The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may be on a parity with the Bonds, and may dilute the security of the Bonds.

Other than the Bonds and the Series 2020 Bonds, the District has no expectation of issuing additional bonds within the next twelve months.

**Defeasance**

The Bond Order provides that the obligation of the District to make money available to pay the principal of and interest on the Bonds may be terminated by the deposit of money and/or non-callable direct or indirect obligations of the United States of America, sufficient for such purpose, in the manner described in the Bond Order.

**Mutilated, Lost, Stolen or Destroyed Bonds**

The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

### Annexation and Consolidation

The District is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas. Under prior Texas law, a municipality could annex and dissolve municipal utility district located within its extraterritorial jurisdiction without consent of the district or its residents. Under House Bill 347 approved during the 86th Regular Legislative Session ("HB 347"), (a) a municipality may annex a district with a population of less than 200 residents only if: (i) the municipality obtains consent to annex the district through a petition signed by more than 50% of the registered voters of the district, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation; and (b) a municipality may annex a district with a population of 200 residents or more only if: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the foregoing, a municipality may annex an area if each owner of land in the area requests annexation. As of the date hereof, the District had an estimated population in excess of 200, thus triggering the voter approval and/or landowner consent requirements discussed in clause (b) above.

### Amendments to the Bond Order

The District may, without the consent of or notice to any registered owners, amend the Bond Order in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the registered owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Order; provided that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition or rescission may (a) extend the time or times of payment of the principal of and interest (or accrual of interest) on the Bonds, or reduce the principal amount thereof or the rate of interest thereon or in any other way modify the terms of payment of the principal of or interest on the Bonds, (b) give preference of any Bond over any other Bond, or (c) extend any waiver of default to subsequent defaults. In addition, a state, consistent with federal law, may in the exercise of its police power make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

### Registered Owners' Remedies and Effects of Bankruptcy

The Bond Order provides that, in the event the District defaults in the observance or performance of any covenant in the Bond Order, including payment when due of the principal of and interest on the Bonds, any registered owner may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board or other officers of the District to observe or perform any covenants, obligations or conditions prescribed by the Bond Order. Such right is in addition to other rights of the registered owners of the Bonds that may be provided by the laws of the State of Texas.

The Bond Order does not provide additional remedies to a registered owner. Specifically, the Bond Order does not provide for appointment of a trustee to protect and enforce the interests of the registered owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus may have to be relied upon from year to year by the registered owners.

Under Texas law, no judgment obtained against the District may be enforced by execution or a levy against the District's public purpose property. The registered owners cannot themselves foreclose on taxable property within the District or sell property within the District in order to pay principal of and interest on the Bonds. In addition, the enforceability of the rights and remedies of the registered owners may be subject to limitation pursuant to federal bankruptcy laws or other similar laws affecting the rights of creditors of political subdivisions.

## Bankruptcy Limitation to Registered Owners' Rights

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

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

## Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Chapter 1201, Texas Government Code, and Section 49.186 Texas Water Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and (b) legal investments and lawful security for the public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas. The Bonds are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State of Texas or any political subdivision or public agency of the State of Texas and are lawful and sufficient security for those deposits to the extent of their market value.

Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than "A" or its equivalent to be legal investments for such entity's funds. The District makes no representation that the Bonds will be acceptable to banks, savings and loan associations or public entities for investment purposes or to secure deposits of public funds. The District has made no investigation of other laws, regulations or investment criteria which might apply to or otherwise limit the suitability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability of the Bonds for investment or collateral purposes.

# BOND INSURANCE

## Bond Insurance Policy

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

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

**Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure), and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

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

*Current Financial Strength Ratings*

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On November 7, 2019, S&P announced that it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further rating actions that S&P may take.

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

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

*Capitalization of AGM*

At December 31, 2019:

- The policyholders surplus of AGM was approximately $2,691 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $986 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves of AGM and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,027 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) pic ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves and 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 document 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: the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020).

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 "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 "BOND INSURANCE."

## THE DISTRICT

### Description

The District was created by the Texas Water Rights Commission, predecessor to the Texas Commission on Environmental Quality ("TCEQ"), effective December 20, 1976, and operates pursuant to Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code The District is empowered to purchase, construct, operate, acquire, own, and maintain all water and wastewater facilities and improvements for the control and diversion of storm water. The District is additionally empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to issue bonds for such purposes, after approval by the City of Houston and the TCEQ and the District's voters of the District's plans in such regard. The District is subject to the continuing supervisory jurisdiction of the TCEQ.

**Management of the District**

The District is governed by the Board of Directors, consisting of five directors, which has management control over and management supervision of all affairs of the District. Three of the Directors reside within the District; the other Directors own property within the District, but reside elsewhere. Directors are elected to serve four-year staggered terms. Elections are held within the District in May of each even-numbered year. The current members and officers of the Board are as follows:

| ***Name*** | ***Title*** | ***Term Expires May*** |
|---|---|---|
| Calvet C. Shelley | President | 2020 |
| Charles Randle | Vice President | 2020 |
| Bobby Roberson | Secretary | 2022 |
| Jacqueline McConnell | Asst. Secretary | 2022 |
| Larry Cannon | Director | 2022 |

**Consultants and Other Services**

The District contracts for the services indicated below:

Auditor - The District's annual financial statements as of August 31, 2019 have been prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's August 31, 2019 audited financial statements.

Bond Counsel - The District employs Strawn & Richardson, P.C., Bellaire, Texas, as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of Bonds actually issued and sold; and therefore, such fees are contingent on the sale and delivery of the Bonds. See "LEGAL MATTERS."

Underwriters' and Special Tax Counsel - Orrick, Herrington & Sutcliffe LLP., Houston, Texas.

Financial Advisor - The District's financial advisor is Blitch Associates, Inc., Houston, Texas.

Engineer - The consulting engineer for the District is Pape-Dawson Engineers, Inc, Houston, Texas.

Operator - The District's System is operated by WWWMS Inc., Houston, Texas.

Tax Assessor/Collector - The District's Tax Assessor/Collector is Bob Leared Interests, Houston, Texas.

## THE DEVELOPERS

**The Role of Developers**

In general, the activities of a developer in a municipal utility district, such as the District, include purchasing the land within a district, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities, and selling improved lots and commercial reserves to builders and other developers or other third parties. A developer can be required to pay up to 30% of the cost of constructing certain water, wastewater and drainage facilities in a district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a district may have a profound effect on the security of the bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district.

**Description of the Developers**

Woodmere Development Co., Ltd., a Texas limited partnership ("Woodmere"), the general partner of which is Woodmere GP, LLC, a Texas limited liability company, is developing approximately 184 acres of land located within the District as Greensbrook Place. Woodmere has completed the development of Greensbrook Place, Sections 1 through 5. Approximately 95 acres of currently undeveloped land located within the District is expected to be developed as single-family residential homes; however, since the landowner has no obligation to the District to undertake the development, the District cannot represent that the development of future residential homes will be undertaken.

## DEVELOPMENT OF THE DISTRICT

### Current Development

The following table indicates the status of development of the District. As of January 2020, the District served 1,656 single-family homes, 26 homes under construction, 2 non-profit customers, and 9 commercial accounts. Following is a breakdown of the land within the District, its present or intended use, and its projected equivalent single family connections ("ESFCs"):

| ***Complete or Under Development*** | ***Acreage*** | ***Projected ESFCs*** |
|---|---|---|
| Greensbrook Sec 1 | 71.5000 | 444 |
| Greensbrook Sec 4 | 35.6100 | 200 |
| Greensbrook Sec 5 | 24.7700 | 186 |
| Greensbrook Place Sec 1 | 22.9600 | 77 |
| Greensbrook Place Sec 2 | 11.0484 | 70 |
| Greensbrook Place Sec 3 | 21.3100 | 103 |
| Greensbrook Place Sec 4 | 7.5100 | 52 |
| Greensbrook Place Sec 5 | 11.3700 | 47 |
| Kings Lake Forest Sec 1 | 65.5900 | 319 |
| Village of Kings Lake Sec 1 | 27.9300 | 74 |
| Village of Kings Lake Sec 2 | 16.0300 | 80 |
| Village of Kings Lake Sec 3 | 7.9300 | 38 |
| Village of Kings Lake Sec 4 | 23.6100 | 105 |
| Sheldon Business Park | 45.3700 | 86 |
| Leap Frog Convenience Store | 2.0000 | 3 |
| Asmita Real Property | 3.7700 | 30 |
| Eastlake RV Resort | 25.0000 | 60 |
| Dollar General | 1.8300 | 3 |
| Subtotal | 425.1384 | 1,977 |
| ***Remaining Acreage*** | | |
| Remaining Developable Acreage | 169.8600 | 240 |
| Drainage & Dentention | 107.7300 | |
| Pipeline Easements | 18.1000 | |
| Water/Wastewater/Lift Stations Sites | 6.3000 | |
| Major Thoroughfares | 30.0000 | |
| Totals | 757.1284 | 2,217 |

# Map of the District

Date: Sep 17, 2018 2:23:25 PM User: JReiher
File: K:\projects\404\86\00\1-0 Correspondence\1-3 Internal\Exhibits\GIS\MUD148 - wkg.mxd

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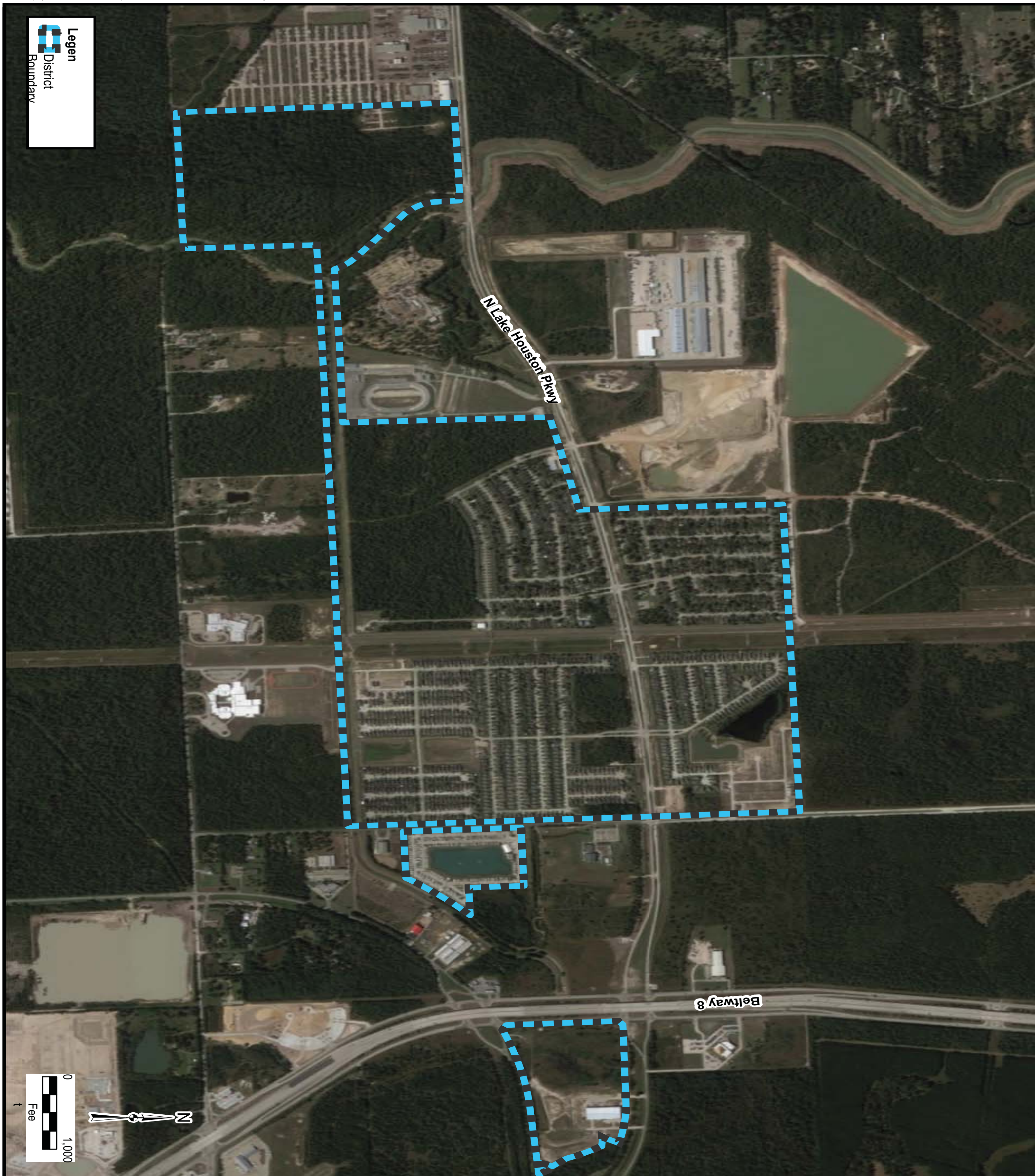


| JOB NO. | DATE | DESIGNER | DRAWN | CHECKED | SHEET |
|---|---|---|---|---|---|
| 40486-0 | 0 Sep 2018 | JGR | JGR | SH | 1.0 |

**HARRIS COUNTY MUD NO. 148**

**HARRIS COUNTY**

**DISTRICT BOUNDARY MAP**

**PAPE-DAWSON ENGINEERS**

HOUSTON | SAN ANTONIO | AUSTIN | DALLAS | FORT WORTH
10350 RICHMOND AVE, STE 200 | HOUSTON, TX 77042 | 713.428.2400
TSPE FIRM REGISTRATION #470 | TBPLS FIRM REGISTRATION #10193974

**Photographs Taken in the District (January 2020)**







DOLLAR
GENERAL

## DISTRICT DEBT

### Debt Statement

| | | |
|---|---|---|
| 2019 Taxable Assessed Valuation (100% of Market Value) | $209,452,119 | (a) |
| Direct Debt | | |
| Outstanding Bonds (As of January 1, 2020) | $21,655,000 | (b) |
| Less: The Refunded Bonds | (4,535,000) | |
| The Bonds | 4,870,000 | |
| Total Direct Debt | $21,990,000 | |
| Estimated Overlapping Debt | 17,908,285 | |
| Direct and Estimated Overlapping Debt | $38,898,285 | |
| Direct Debt Ratios: | | |
| Direct Debt to Value | 10.50% | |
| Direct & Estimated Overlapping Debt to Value | 19.05% | |
| Average Annual Debt Service Requirements (2020/45) | $1,133,262 | (b) |
| Maximum Annual Debt Service Requirements (2045) | $1,212,925 | (b) |
| Fund Balances as of January 14, 2020 (Cash & Investments) | | |
| General Fund | $2,710,578 | |
| Debt Service Fund | $1,347,420 | |
| Capital Projects Fund | $3,383,028 | |

(a) Certified by the Harris County Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
(b) Includes the Series 2020 Bonds, which are being issued concurrently with the Bonds. See "THE BONDS–Series 2020 Bonds."
(c) See "Estimated Overlapping Debt," below.

**Estimated Overlapping Debt**

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdiction and/or the Texas Municipal Reports. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes. See "TAX DATA--Estimated Overlapping Taxes."

| ***Jurisdiction*** | ***Debt As Of January 1, 2020*** | ***Overlapping Percent*** | ***Overlapping Amount*** |
|---|---|---|---|
| Harris County (a) (b) | $2,105,487,125 | 0.043% | $905,359 |
| Harris Co. Department of Education | 6,320,000 | 0.043% | 2,718 |
| Harris Co. Flood Control District | 83,075,000 | 0.043% | 35,722 |
| Harris Co. Hospital District | 57,300,000 | 0.043% | 24,639 |
| Houston Community College District | 560,480,000 | 0.003% | 16,814 |
| Houston Independent School District | 29,761,695,000 | 0.003% | 88,851 |
| Port of Houston Authority | 572,569,397 | 0.043% | 246,205 |
| San Jacinto Community College District | 491,672,707 | 0.331% | 1,627,437 |
| Sheldon Independent School District | 421,304,996 | 3.551% | 14,960,540 |
| Estimated Overlapping Debt | | | $17,908,285 |
| The District (includes the Bonds, the Series 2020 Bonds and excludes the Refunded Bonds) | | | 21,990,000 |
| Total Direct & Estimated Overlapping Debt | | | $39,898,285 |

(a) Includes $220,305,000 Toll Tax and Subordinate Lien Road Bonds, which have historically been paid from toll road revenues and not ad valorem taxes.
(b) Includes $406,485,000 Flood Control Contract Bonds, payable from Harris County tax funds.

**Debt Service Schedule**

The following sets forth the debt service requirements on the District's Outstanding Bonds (including the Series 2020 Bonds) and the Bonds. (*Note: Totals may not add due to rounding*)

| ***Year*** | ***Outstanding Debt Service*** | ***Refunded Debt Service*** | ***The Bonds Principal*** | ***The Bonds Interest*** | ***The Bonds Total D/S*** | ***Grand Total Debt Service*** |
|---|---|---|---|---|---|---|
| 2020 | $1,176,542 | ($187,553) | $50,000 | $65,838 | $115,838 | $1,104,827 |
| 2021 | 1,177,611 | (315,148) | 175,000 | 96,756 | 271,756 | 1,134,220 |
| 2022 | 1,183,057 | (315,144) | 180,000 | 93,206 | 273,206 | 1,141,120 |
| 2023 | 1,177,284 | (314,745) | 185,000 | 89,556 | 274,556 | 1,137,095 |
| 2024 | 1,179,747 | (314,009) | 185,000 | 85,856 | 270,856 | 1,136,595 |
| 2025 | 1,176,274 | (312,810) | 190,000 | 82,106 | 272,106 | 1,135,570 |
| 2026 | 1,182,001 | (315,988) | 195,000 | 78,256 | 273,256 | 1,139,270 |
| 2027 | 1,126,725 | (411,736) | 295,000 | 73,356 | 368,356 | 1,083,345 |
| 2028 | 1,127,142 | (415,004) | 305,000 | 67,356 | 372,356 | 1,084,495 |
| 2029 | 1,126,642 | (412,594) | 310,000 | 61,206 | 371,206 | 1,085,255 |
| 2030 | 1,130,159 | (419,378) | 325,000 | 54,856 | 379,856 | 1,090,638 |
| 2031 | 1,132,635 | (420,365) | 330,000 | 48,306 | 378,306 | 1,090,576 |
| 2032 | 1,132,602 | (583,100) | 505,000 | 39,956 | 544,956 | 1,094,158 |
| 2033 | 1,134,153 | (592,300) | 525,000 | 29,656 | 554,656 | 1,096,510 |
| 2034 | 1,134,856 | (600,300) | 545,000 | 18,616 | 563,616 | 1,098,171 |
| 2035 | 1,134,350 | (612,000) | 570,000 | 6,413 | 576,413 | 1,098,763 |
| 2036 | 1,132,059 | | | | | 1,132,059 |
| 2037 | 1,132,749 | | | | | 1,132,749 |
| 2038 | 1,137,323 | | | | | 1,137,323 |
| 2039 | 1,146,484 | | | | | 1,146,484 |
| 2040 | 1,150,445 | | | | | 1,150,445 |
| 2041 | 1,193,019 | | | | | 1,193,019 |
| 2042 | 1,198,800 | | | | | 1,198,800 |
| 2043 | 1,202,225 | | | | | 1,202,225 |
| 2044 | 1,208,175 | | | | | 1,208,175 |
| 2045 | 1,212,925 | | | | | 1,212,925 |
| | $30,145,683 | ($6,542,171) | $4,870,000 | $991,297 | $5,861,297 | $29,464,808 |

| | |
|---|---|
| Average Annual Debt Service (2020/2045) | $ 1,133,262 |
| Maximum Annual Debt Service (2045) | $ 1,212,925 |

**Historical Operations of the Debt Service Fund**

The following statement sets forth in condensed form the historical operations of the District's Debt Service Fund. Such information has been prepared based upon information obtained from the District's audited financial, reference to which is made for further and complete information.

| | *Fisca l Year Ended August 31*, | | | | |
|---|---|---|---|---|---|
| | ***2019*** | ***2018*** | ***2017*** | ***2016*** | ***2015*** |
| Revenues | | | | | |
| Ad Valorem Taxes | $1,061,184 | $1,021,123 | $896,576 | $824,627 | $813,455 |
| Penalty & Interest | 26,345 | 31,399 | 29,620 | 18,522 | 25,679 |
| Other Revenues | 40,105 | 18,974 | 2,720 | 2,177 | 2,929 |
| Total Revenues | $1,127,634 | $1,071,496 | $928,916 | $845,326 | $842,063 |
| Expenditures | | | | | |
| Debt Service | $670,589 | $866,765 | $857,635 | $1,232,420 | $1,016,288 |
| Professional Fees | 8,172 | 12,519 | 8,266 | 6,695 | 10,206 |
| Contracted Services | 39,034 | 35,750 | 32,609 | 32,118 | 31,320 |
| Other | 6,532 | 5,232 | 5,692 | 6,082 | |
| Total Expenses | $724,327 | $920,266 | $904,202 | $1,277,315 | $1,061,468 |
| Net Revenues | $403,307 | $151,230 | $24,714 | ($431,989) | ($219,405) |
| Beginning Fund Balance | 1,421,427 | 1,270,197 | 1,245,483 | 1,677,472 | 1,896,877 |
| Ending Fund Balance | $1,824,734 | $1,421,427 | $1,270,197 | $1,245,483 | $1,677,472 |
| Ending Cash/Investments | $1,826,871 | $1,426,533 | $1,276,932 | $1,249,154 | $1,680,159 |

## TAX PROCEDURES

### Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Remaining Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "RISK FACTORS – 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 above under "THE BONDS – Source of and Security for Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System and for the payment of certain contractual obligations. At an election held within the District on November 5, 2013, the voters in the District authorized the levy of a maintenance and operation tax not to exceed $0.50 per $100 assessed valuation. Currently, a maintenance and operation tax of $0.393 per $100 assessed value is levied within the District.

### Property Tax Code and County-Wide Appraisal Districts

Title I of 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 Harris County Appraisal District (the "Appraisal District") has the responsibility of appraising property for all taxing units within the County including the District. Such appraisal values will be subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board").

### 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; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District currently grants a $20,000 homestead exemption to persons who are 65 years of age or older and to disabled homestead owners. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between $5,000 and $12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. 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. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District currently grants the 20% homestead exemption.

Freeport Goods Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2012 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 2013 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

**Tax Abatement**

The County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City (after annexation of the land within the District), the County, and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. Currently, no part of the District has been designated as a reinvestment zone.

**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 Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

The Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the 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 Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous five years for agricultural use and taxes for the previous five years for open space land and timberland.

The 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 reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

**District and Taxpayer Remedies**

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

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

**Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected 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 continues to accrue during the period of deferral.

**Operation and Maintenance Tax Rates**

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "Financial Highlights" 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 than1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

*Developed Districts*

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

*Developing Districts*

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

*The District*

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, 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 in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

**Reappraisal of Property after Disaster**

The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. 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 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property. Although the Texas governor declared Harris County (and therefore the District) a disaster area after Hurricane Harvey, the District did not authorize a reappraisal of property in the District.

**Tax Payment Installments after Disaster**

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. The District does not anticipate that taxpayers in the District, if any, that choose to pay taxes in installments as a result of Hurricane Harvey will have a material effect on the District's finances or its ability to pay debt service on the Bonds.

## TAX DATA

### General

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds, and any future tax-supported bonds which may be issued from time to time as may be authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds.

### Tax Collection History

The following table indicates the collection history for taxes assessed by the District:

| Tax Year | Assessed Valuation | Debt Rate | M&O Rate | Total Rate | Tax Levy | Percent Current | Percent Total | Yr. End Aug. 31 | |
|---|---|---|---|---|---|---|---|---|---|
| 2002 | $24,876,210 | $1.115 | $0.250 | $1.365 | $335,582 | 87.00% | 95.76% | 2003 | |
| 2003 | 35,942,440 | 1.115 | 0.250 | 1.365 | 489,066 | 93.05% | 105.22% | 2004 | |
| 2004 | 50,876,950 | 1.115 | 0.250 | 1.365 | 690,068 | 88.84% | 93.61% | 2005 | |
| 2005 | 60,909,709 | 1.115 | 0.243 | 1.358 | 826,006 | 93.05% | 102.47% | 2006 | |
| 2006 | 81,763,756 | 1.047 | 0.228 | 1.275 | 1,038,413 | 91.45% | 96.81% | 2007 | |
| 2007 | 93,484,821 | 1.000 | 0.250 | 1.250 | 1,150,724 | 94.34% | 103.14% | 2008 | |
| 2008 | 100,670,995 | 1.000 | 0.250 | 1.250 | 1,258,282 | 95.81% | 102.25% | 2009 | |
| 2009 | 89,838,271 | 0.840 | 0.250 | 1.090 | 979,128 | 95.52% | 99.67% | 2010 | |
| 2010 | 87,337,044 | 0.840 | 0.250 | 1.090 | 953,039 | 96.53% | 101.87% | 2011 | |
| 2011 | 87,115,396 | 0.840 | 0.250 | 1.090 | 949,748 | 97.07% | 100.75% | 2012 | |
| 2012 | 87,775,316 | 0.840 | 0.250 | 1.090 | 957,287 | 96.88% | 100.24% | 2013 | |
| 2013 | 96,792,822 | 0.843 | 0.247 | 1.090 | 1,055,529 | 97.50% | 100.06% | 2014 | |
| 2014 | 93,217,690 | 0.871 | 0.309 | 1.180 | 1,092,562 | 97.74% | 100.72% | 2015 | |
| 2015 | 112,894,561 | 0.738 | 0.292 | 1.030 | 1,155,724 | 97.97% | 100.05% | 2016 | |
| 2016 | 130,250,613 | 0.680 | 0.300 | 0.980 | 1,281,663 | 97.42% | 100.64% | 2017 | |
| 2017 | 164,247,522 | 0.620 | 0.333 | 0.953 | 1,574,467 | 97.38% | 99.50% | 2018 | |
| 2018 | 175,114,187 | 0.605 | 0.348 | 0.953 | 1,685,213 | 97.98% | 99.15% | 2019 | |
| 2019 | 209,452,119 | 0.550 | 0.393 | 0.943 | 1,970,099 | 88.18% | 89.54% | 2020 | (a) |

(a) Collections through February 5, 2020 only.

**Estimated Overlapping Taxes**

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, a tax lien attaches to property to secure the payment of all taxes, penalty, and interest for the year, on January 1 of that year. The tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative, and/or general revenue purposes.

| | 2019 Tax Rates (a) | |
|---|---|---|
| ***Taxing Entities*** | ***Houston ISD (b)*** | ***Sheldon ISD (b)*** |
| Harris County | $0.407130 | $0.407130 |
| Harris Co. Department of Education | 0.005000 | 0.005000 |
| Harris Co. Emergency Services District No. 2 | 0.030000 | 0.030000 |
| Harris Co. Emergency Services District No. 19 | 0.030000 | N/A |
| Harris Co. Emergency Services District No. 60 | N/A | 0.050000 |
| Harris Co. Flood Control District | 0.027920 | 0.027920 |
| Harris Co. Hospital District | 0.165910 | 0.165910 |
| Houston Community College District | 0.100263 | N/A |
| Houston Independent School District | 1.136700 | N/A |
| Port of Houston Authority | 0.010740 | 0.010740 |
| San Jacinto Community College District | N/A | 0.179329 |
| Sheldon Independent School District | N/A | 1.470000 |
| Overlapping Taxes | $1.913663 | $2.323269 |
| The District | 0.943000 | 0.943000 |
| Total Direct & Overlapping Taxes | $2.856663 | $3.266269 |

(a) Combined Maintenance and Operations and Interest and Sinking Fund tax rates.
(b) The District lies within two separate independent school districts–Houston Independent School District and Sheldon Independent School District. The Overlapping Tax rates differ according to the school district in which a particular property is located.

**Analysis of Tax Base**

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the tax roll valuations for each of the years indicated:

| | ***2019 Amount*** | ***2019 %'s*** | ***2018 Amount*** | ***2018 %'s*** |
|---|---|---|---|---|
| Land | $80,769,235 | 29.96% | $47,694,882 | 21.62% |
| Improvements | 176,754,610 | 65.57% | 164,997,030 | 74.81% |
| Personal Property | 12,028,849 | 4.46% | 7,866,549 | 3.57% |
| Subtotal | $269,552,694 | | $220,558,461 | |
| Less Exemptions | | | | |
| Totally Exempt | ($15,702,211) | | ($10,738,195) | |
| 20% Homestead Ex | (26,068,116) | | (23,798,416) | |
| Disabled/Over 65 | (4,583,625) | | (3,526,520) | |
| Ag Deferred | (482,718) | | (3,155,451) | |
| Other | (13,763,483) | | (4,225,692) | |
| Total Exemptions | ($60,600,153) | | ($45,444,274) | |
| Total Taxable Value | $208,952,541 | | $175,114,187 | |
| | ***2017 Amount*** | ***2017 %'s*** | ***2016 Amount*** | ***2016 %'s*** |
| Land | $42,567,904 | 19.96% | $33,257,349 | 19.35% |
| Improvements | 166,624,709 | 78.11% | 134,978,383 | 78.55% |
| Personal Property | 4,199,459 | 1.93% | 3,593,441 | 2.09% |
| Subtotal | $213,312,072 | | $171,829,173 | |
| Less Exemptions | | | | |
| Totally Exempt | ($9,962,465) | | ($9,923,243) | |
| 20% Homestead Ex | (22,572,895) | | (19,077,568) | |
| Disabled/Over 65 | (3,244,663) | | (2,948,359) | |
| Ag Deferred | (1,538,637) | | (1,477,704) | |
| Other | (11,745,890) | | (8,146,686) | |
| Total Exemptions | ($49,064,550) | | ($41,573,560) | |
| Total Taxable Value | $164,247,522 | | $130,255,613 | |

Note: Values shown above may reflect original certified amounts and may differ from those shown elsewhere herein.

**Principal Taxpayers**

| *Name of Taxpayer* | *Type of Property* | *2019 Taxable Ass'd Value* | *% of Total* | *2018 Taxable Ass'd Value* | *% of Total* |
|---|---|---|---|---|---|
| Lichtgitter USA Inc. | Light Industrial | $12,839,452 | 6.10% | $9,690,122 | 5.53% |
| C2 Sheldon LLC | Acreage | 3,013,251 | 1.43% | 4,200,000 | 2.40% |
| QRV Eastlake LLC | Mobile Home Park | 2,761,924 | 1.31% | 2,867,139 | 1.64% |
| Centerpoint Energy Houston | Electric Utility | 1,726,250 | 0.82% | 1,565,600 | 0.89% |
| Leap Frog Investments LLC | Strip Center | 1,715,042 | 0.81% | (a) | |
| TAH 2016 1 Borrower LLC | Rental Homes | 1,571,652 | 0.75% | 1,338,563 | 0.76% |
| Rodriguez Family 2011 Trust | Discount Store | 974,695 | 0.46% | 864,965 | 0.49% |
| GTE Mobilnet | Acreage | 973,565 | 0.48% | 649,479 | 0.37% |
| Star Tubular Intl Inc | Acreage | 813,428 | 0.39% | 813,396 | 0.46% |
| RC Gateway LLC | Lots | 787,725 | 0.37% | (a) | |
| Home SFR Borrower IV LLC | Rental Homes | (a) | | 848,227 | 0.48% |
| Centerpoint Energy Entex | Gas Utility | (a) | | 491,480 | 0.28% |
| Total--Top Ten | | $27,176,984 | 12.91% | $23,328,971 | 13.32% |

(a) Not among top ten taxpayers this year.

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of assessed valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2019 Taxable Value ($209,452,119). The calculations assume collection of 98% of taxes levied and the sale of no additional bonds (other than the Bonds and the Series 2020 Bonds) by the District.

| | |
|---|---|
| Average Annual Debt Service Requirements (2020/2045) | $1,133,262 |
| Tax Rate of $0.553 on the 2019 Taxable Value produces | $1,135,105 |
| | |
| Maximum Annual Debt Service Requirements (2045) | $1,212,925 |
| Tax Rate of $0.591 on the 2019 Taxable Value produces | $1,213,105 |

## THE SYSTEM

### Regulation

The water and wastewater facilities serving land within the District have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City of Houston and the Harris County Engineering Department. During construction, facilities are subject to inspection by the District's Engineer and the foregoing governmental agencies.

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

### Description of the System

According to the District's Engineer, the total number of connections projected for the District at full development of approximately 756.3 acres located in the District is 3,466 equivalent single family connections ("ESFCs") to serve the projected population of approximately 6,800 persons. A description of the primary components of the System follows and is based upon information supplied by the Engineer based on drawings and data furnished by others.

Proceeds of the sale of the Outstanding Bonds were used to finance the construction or acquisition of underground water supply, water distribution lines, a water transmission line and appurtenances to facilitate purchase of water from the City of Houston, wastewater collection lines, lift stations, detention facilities, and storm water drainage facilities to serve a total of 2,600 ESFCs, including single-family, church, commercial, and school properties in and adjacent to the District, for a total of approximately 275.74 acres. Of the remaining approximately 169.86 developable acres within the District, future bonds will be used to finance District water and wastewater improvements as necessary, upgrades to existing facilities as necessary for development, and reimbursement of the Developers for underground facilities. Approximately 160.67 acres of land within the District are designated for public use, rights-of-way and easements not considered as developable. The major trunk sewers and distribution lines were previously constructed to serve existing and future development; other lines will be added as development occurs.

***- Wastewater System -***

The District has a 550,000 gallons per day ("gpd") permanent wastewater treatment plant capable of serving 2,200 connections. This represents the initial phase of an ultimate plant size capable of serving 950,000 gpd. The District has recently completed the construction of a plant expansion that increased the plant capacity to 650,000 gpd, capable of service 2,600 connections. The District is currently under design of another plant extension that will bring the plant to its ultimate size of 950,000 gpd.

***- Water System -***

The District owns a complete water plant, with one water well with a capacity of 1,100 gallon per minute ("gpm"), two 429,000 gallon ground storage tanks, two 20,000 gallon hydropneumatics tanks, four 850 gpm booster pumps, chloramination facilities, emergency generator, electrical controls and appurtenant equipment.

The District also has a water transmission facility that receives water from the City of Houston. Receiving water from the City satisfies the District's requirement to reduce its withdrawal of ground water.

The District contracts with the City for potable water, currently at the rate of $3.53 per thousand gallons, to supply 100% of the District's needs. The existing water well operates to supply water during periods of peak demands, and to provide reliability in the event that service from City lines is interrupted for any reason.

The District has no existing interconnect with any other water system.

*- Stormwater Drainage -*

The developed residential areas within the District have underground storm sewers that flow to an open channel drainage system or to detention ponds which then eventually discharge into open channels. The portion of the District to the East of Beltway 8 is currently served by a roadside ditch system which eventually discharges into open channels. Harris County operates the underground storm sewers. The Harris County Flood Control District maintains the open channels.

According to the District's Engineer, the current Federal Emergency management Agency Flood Insurance Rate Map (Map No. 48201C0515M, revised June 9, 2014), indicates that 312 acres of the District are located within shaded Zone X and 114 acres are located in the mapped 100-year floodplain. The 114 acres within the 100-year floodplain is composed of parcels owned by Harris County Flood Control District and undeveloped acreage.

**Rate Order**

The District's utility rate order, subject to change from time to time by Board, is summarized in part below and became effective on May 14, 2019:

***-Water Rates-***

| *Residential* | |
|---|---|
| First 1,000 gallons | $18.00 minimum |
| Next 6,000 gallons | $1.60/1,000 gallons |
| Next 8,000 gallons | $2.00/1,000 gallons |
| Next 5,000 gallons | $2.50/1,000 gallons |
| Next 30,000 gallons | $2.75/1,000 gallons |
| Over 50,000 gallons | $3.50/1,000 gallons |

**In addition, each customer will pay 112% of the City of Houston water rate per 1,000 gallons, which water rate is currently $3.53 per 1,000 gallons.**

***-Sewer Rates-***

(Based on water consumption)

| *Residential* | |
|---|---|
| First 1,000 gallons | $27.50 minimum |
| Over 1,000 gallons | $1.00/1,000 gallons |

## Historical Operations of the General Operating Fund

The following statement sets forth in condensed form the historical operations of the District's General Operating Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such information has been prepared based upon information obtained from the District's audited financial statements, reference to which is made for further and complete information.

| | *Fiscal Year Ended August 31,* | | | | |
|---|---|---|---|---|---|
| | ***2019*** | ***2018*** | ***2017*** | ***2016*** | ***2015*** |
| Revenues | | | | | |
| Property Taxes | $609,675 | $545,535 | $393,324 | $325,347 | $286,963 |
| Water Service | 576,832 | 497,489 | 526,725 | 524,507 | 501,997 |
| Surface Water | 405,092 | 397,574 | 385,940 | 341,847 | 306,148 |
| Sewer Service | 614,955 | 535,778 | 550,311 | 554,972 | 516,386 |
| Tap Connections | 192,325 | 69,825 | 133,964 | 101,469 | 75,950 |
| Other Revenues | 147,479 | 216,271 | 126,202 | 89,998 | 137,965 |
| Total Revenues | $2,546,358 | $2,262,472 | $2,116,466 | $1,938,140 | $1,825,409 |
| Expenses | | | | | |
| Professional Fees | $399,144 | $328,658 | $212,737 | $202,779 | $177,045 |
| Contracted Services | 460,189 | 382,952 | 362,392 | 361,539 | 356,195 |
| Surface Water/GRP Fees | 330,808 | 350,449 | 379,129 | 330,612 | 277,921 |
| Utilities | 108,225 | 92,505 | 89,559 | 81,743 | 78,459 |
| Repairs/Maintenance | 385,940 | 389,509 | 289,601 | 257,389 | 220,748 |
| Other Expenses | 531,892 | 419,929 | 362,771 | 357,070 | 307,059 |
| Total Expenditures | $2,216,198 | $1,964,002 | $1,696,189 | $1,591,132 | $1,417,427 |
| Net Revenue (Expense) | $330,160 | $298,470 | $420,277 | $347,008 | $407,982 |
| Beginning Fund Balance | 1,736,760 | 1,792,671 | 1,517,374 | 1,246,673 | 849,416 |
| Grant Revenues | 0 | 25,793 | 409,998 | 0 | 0 |
| Bond Issuance Costs | (55,865) | 0 | 0 | 0 | 0 |
| Capital Outlay | (117,883) | (380,174) | (554,978) | (76,307) | (10,725) |
| Ending Fund Balance | $1,893,172 | $1,736,760 | $1,792,671 | $1,517,374 | $1,246,673 |
| Ending Cash/Inv. (a) | $2,048,712 | $1,707,209 | $1,690,495 | $1,681,578 | $1,343,417 |
| Percent of Expenses | 92.44% | 86.93% | 99.66% | 105.68% | 94.78% |
| Ending Active Customers | 1,709 | 1,548 | 1,483 | 1,501 | 1,465 |

(a) Exclusive of customer deposits.

## RISK FACTORS

### General

The Bonds, which are obligations of the District and are not obligations of the State of Texas, Harris County, Texas, the City of Houston or any other political subdivision, will be secured by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. At this point in the development of the District, the potential increase in taxable values of property is directly related to the demand for commercial and residential development, not only because of general economic conditions, but also due to particular factors discussed below.

### Recent Extreme Weather Events; Hurricane Harvey

The greater Houston area, including the District, is subject to occasional severe weather events, including tornadoes, flooding, 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 Houston area, including Harris County, sustained widespread rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days.

According to the Engineer, to the best of its knowledge, hundreds of homes within the District and the District office building were flooded and the District experienced an interruption of water and sewer service. The System has been subsequently restored and all but a few of the houses have been repaired. The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region.

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

### Specific Flood Type Risks

*Ponding (or Pluvial) 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.

**Harris County and City of Houston Floodplain Regulations**

As a direct result of Hurricane Harvey, Harris County and the City of Houston adopted new rules and amended existing regulations relating to minimizing the potential impact of new development on drainage and mitigating flooding risks. The new and amended Harris County regulations took effect January 1, 2018, and the new and amended City of Houston regulations took effect September 1, 2018.

The Harris County floodplain regulations govern construction projects in unincorporated Harris County and include regulations governing the elevation of structures in the 100-year and 500-year floodplains. Additionally, the Harris County regulations govern the minimum finished floor elevations as well as specific foundation construction requirements and windstorm construction requirements for properties located both above and below the 100-year flood elevation.

The City of Houston floodplain regulations govern construction projects in the corporate jurisdiction of the City of Houston and include regulations governing the elevation of structures in the 100-year and 500-year floodplains and the elevation of residential additions greater than one-third the footprint of the existing structure and non-residential additions. Additionally, the City of Houston regulations require an improved structure whose new market value exceeds 50% of the market value of the structure prior to the start of improvements to meet the new and amended City of Houston regulations.

The new and amended Harris County and City of Houston regulations may have a negative impact on new development in and around the Authority as well as on the rehabilitation of existing homes impacted by flooding or other natural disasters.

**Factors Affecting Taxable Values and Tax Payments**

***Economic Factors***: The growth of taxable values in the District is directly related to the vitality of the commercial development and housing and building industry in the Houston metropolitan area. The housing and building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions. During the late 1980's, an oversupply of single-family residential housing in the Houston metropolitan market and the general downturn in the Houston economy adversely affected the local residential development and construction industries. In addition to a decline in housing demand, mortgage foreclosure by private banks and government and financial institutions depressed housing prices and the value of residential real estate in the Houston metropolitan area. The Houston economy is still dependent on energy prices and a precipitous decline in such prices could result in additional adverse effects on the economy.

***Maximum Impact on District 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 District property owners to pay their taxes. The 2019 Taxable Valuation is $209,452,119. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement (2045) is $1,212,925 and the average annual debt service requirements (2020/2045) is $1,133,262. Assuming no increase or decrease from the 2019 Taxable Valuation and no use of funds other than tax collections, tax rates of $0.591 and $0.553 per $100 assessed valuation at a 98% collection rate against the 2019 Assessed Valuation, respectively, would be necessary to pay such debt service requirements. The Board levied a tax rate of $0.550 for debt service purposes and a tax rate of $0.393 for maintenance and operation purposes for tax year 2019. See "DISTRICT DEBT--Debt Service Schedule" and "TAX DATA--Tax Rate Calculations."

**Overlapping Tax Rates**

Consideration should be given to the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The combination of the District's tax rate and the overlapping taxing entities' tax rates is higher than the combined tax rates levied upon certain other comparable developments in the market area. Consequently, an increase in the District's tax rate above those anticipated above may have an adverse impact on future development or the construction of taxable improvements in the District. See "DISTRICT DEBT--Estimated Overlapping Debt" and "TAX DATA--Estimated Overlapping Taxes."

**Tax Collection Limitations**

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

**Registered Owners' Remedies**

In the event of default in the payment of principal of or interest on the Bonds, the registered owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Order does not specifically provide for remedies to a registered owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the registered owners. 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. Although the registered owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the registered owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. For example, a Chapter IX bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the registered owners.

**Bankruptcy Limitation to Registered Owners' Rights**

The enforceability of the rights and remedies of registered owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law 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 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owner's remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. 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 subdivisions.

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 a registered owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the registered owner's claim against a district.

**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; and
- 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 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).

On 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) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

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

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

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

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the "waters of the United States." The District must also obtain a permit from the United States Army Corps of Engineers("USACE") if operations of the District require that wetlands be filled, dredged, or otherwise altered. In 2015, the EPA and the United States Army Corps of Engineers ("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 various 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.

On September 12, 2019, the EPA and USACE issued a final rule that repealed the CWR and restored the previous regulatory regime as it existed prior to the CWR. The new rule will take place 60 days after publication in the Federal Register.

Due to possible litigation challenging the new rule, there still remains significant 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 permitting requirements.

**Future Debt**

Following the issuance of the Bonds and the Series 2020 Bonds, $26,905,000 unlimited tax bonds, $4,000,000 unlimited tax and revenue bonds, and $18,440,000 unlimited tax refunding bonds authorized by the District's voters will remain unissued. The District has the right to issue such bonds and such additional bonds as may hereafter be approved by both the Board and voters of the District. The remaining authorized but unissued bonds may be issued by the District from time to time as needed.

After issuance of the Bonds and the Series 2020 Bonds, the District does not expect to issue any additional bonds within the next twelve month.

**Proposed Tax Legislation**

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to state income taxation, or otherwise prevent the beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

**2019 Legislative Session**

The 86th Texas Legislature convened on January 8, 2019 and adjourned on May 27, 2019. During the 86th Regular Legislative Session, the Texas Legislature passed Senate Bill 2 ("SB 2"), a law that materially changes ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which may have an adverse impact on the District's operations and financial condition. See "TAX PROCEDURES–Operation and Maintenance Tax Rates."

**Continuing Compliance with Certain Covenants**

The Bond Order contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance.

**Marketability**

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

**Approval of the Bonds**

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General, however, does not pass upon or guarantee the security of the Bonds as an investment, nor has the Attorney General passed upon the adequacy or accuracy of the information contained in this Official Statement.

## LEGAL MATTERS

The District will furnish the Underwriter a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including 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 legally binding obligations of the District. The District will also furnish the legal opinion of Strawn & Richardson P.C., Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are legal, valid and binding obligations of the District. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX EXEMPTION." Such opinions will express no opinions with respect to the sufficiency of the security for or the marketability of the Bonds.

**Legal Review**

Bond Counsel has reviewed the information appearing in this Official Statement under the sections captioned: "THE BONDS" (except the subsection "--Book-Entry-Only System"), "THE DISTRICT–Description," "TAX PROCEDURES--Authority to Levy Taxes," "LEGAL MATTERS - Legal Opinions," "LEGAL MATTERS–Legal Review," and "CONTINUING DISCLOSURE OF INFORMATION" (except the subsection "--Compliance with Prior Undertakings") solely to determine whether such information fairly summarizes matters of law with respect to the provisions of the documents referred to therein. Special Tax Counsel has reviewed the information in this Official Statement under the section captioned "TAX MATTERS–Tax Exemption" solely to determine whether such information correctly summarizes matters of law referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein, other than the matters discussed immediately above.

The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

**No-Litigation Certificate**

On the date of delivery of the Bonds to the Underwriter, the District will execute and deliver to the Underwriter a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date, of which the District has notice, to restrain or enjoin the execution, issuance or delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds, or the titles of the then present officers of the District.

**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 subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of sale.

**Legal Opinions**

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District secured by the proceeds of an ad valorem tax levied, without limit as to rate or amount, upon all taxable property in the District and, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the legal opinion of Bond Counsel to the effect that (1) the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and (2) are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement. Bond Counsel's opinion will address the matters described below under "TAX MATTERS–Tax Exemption."

## TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel ("Special Tax Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Special Tax Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Special Tax Counsel assumes the accuracy of these representations and compliance with these covenants. Special Tax Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Tax Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Special Tax Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Tax Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Special Tax Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Tax Counsel is expected to express no opinion.

The opinion of Special Tax Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Tax Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Special Tax Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Special Tax Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Special Tax Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the

District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

The District will designate the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended. Pursuant to that section of the Code, a qualifying financial institution will be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated "bank qualified" investments.

## CONTINUING DISCLOSURE OF INFORMATION

The District, in the Bond Order, 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 material events, to certain information vendors. This information will be available free of charge from the Municipal Securities Rule Making Board ("MSRB") via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

### Annual Reports

The District will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "SUMMARY--Financial Highlights;" "DEVELOPMENT OF THE DISTRICT;" "DISTRICT DEBT–Estimated Overlapping Debt" and "–Historical Operations of the Debt Service Fund;" "TAX DATA–Tax Collection History," "–Principal Taxpayers," "–Analysis of Tax Base," "–Estimated Overlapping Taxes" and "–Tax Rate Calculations;" "THE SYSTEM–Historical Operations of the General Operating Fund" and "–Rate Order;" and "APPENDIX A–Financial Statements of the District."

The financial information and operating data which will be provided is found in the annual audit report, within six months after the end of each of its fiscal years. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when and if the audit report becomes available.

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

### Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the SEC Rule 15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and order of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

The term "Financial Obligation" shall mean, for purposes of the events in clauses (15) and (16), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing, or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12. The District intends the words used in clauses (15) and (16) and the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018 (the "2018 Release") and any further written guidance provided by the SEC or its staff with respect to the amendments to Rule 15c2-12 effected by the 2018 Release. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

**Availability of Information From EMMA**

Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org. The District has agreed in the Bond Order to provide the foregoing information only to the MSRB through EMMA. The information will be available to holders of Bonds only if the holders comply with the procedures of the MSRB or obtain the information through securities brokers who do so.

**Limitations and Amendments**

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to 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 of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as any changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. 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 under "Annual Reports," an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided. The District may also amend or repeal the agreement if the United States Securities and Exchange Commission ("SEC") amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgement that such provisions of the Rule are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

### Compliance with Prior Undertakings

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

## VERIFICATION OF ACCURACY OF MATHEMATICAL CALCULATIONS

The accuracy of the mathematical computations with respect to the adequacy of the funds available to provide for the payment of the Refunded Bonds will be verified by Ritz & Associates PA, a firm of independent certified public accountants. These computations will be based upon information and assumptions supplied by the Underwriter. Ritz & Associates PA has restricted its procedures to recalculating the computations provided by the Underwriter and has not evaluated or examined the assumptions or information used in the computations.

## PREPARATION OF OFFICIAL STATEMENT

### General

The information contained in this Official Statement has been obtained primarily from the District's records, the District's Engineer, the Appraisal District, the District's Tax Assessor/Collector and other sources believed to be reliable. The District, however, makes no representation as to the accuracy or completeness of the information derived from such sources. The summaries of the statutes, resolutions, orders, agreements and engineering and other related reports 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.

**Consultants**

The information contained in this Official Statement relating to the physical characteristics of the District and engineering matters and, in particular, that engineering information included in the sections captioned "THE DISTRICT" and "THE SYSTEM" has been provided by the District's Engineer and has been included herein in reliance upon the authority of such firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning historical breakdown of District valuations, principal taxpayers and collection rates contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" has been provided by the Appraisal District and the District's Tax Assessor/Collector and has been included herein in reliance upon their authority as experts in the field of tax assessing and collecting.

The information contained in this Official Statement in the section captioned “THE DEVELOPERS” has been provided by the developers named in that section.

The financial statements contained in “APPENDIX A–Financial Statements of the District” have been included in reliance upon the accompanying report of the District’s Auditor.

**Updating the Official Statement**

If, subsequent to the date of the Official Statement, the District learns, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds to the Underwriter) until all of the Bonds have been sold to ultimate customers.

**Certification of Official Statement**

The District, acting through the Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements and descriptions pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the Board 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 light of the circumstances under which they are made, not misleading; however, the Board can give no assurance as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly certified and approved by the Board of Directors of Harris County Municipal Utility District No. 148 as of the date specified on the first page hereof.

/s/ Calvet Shelley
President, Board of Directors
Harris County Municipal Utility District No. 148

ATTEST:

/s/ Bobby Roberson
Secretary, Board of Directors
Harris County Municipal Utility District No. 148

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148

## HARRIS COUNTY, TEXAS

## ANNUAL FINANCIAL REPORT

## AUGUST 31, 2019

**McCALL GIBSON SWEDLUND BARFOOT PLLC**
Certified Public Accountants

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148

## HARRIS COUNTY, TEXAS

## ANNUAL FINANCIAL REPORT

## AUGUST 31, 2019

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# *McCALL GIBSON SWEDLUND BARFOOT PLLC*

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 148
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 148 (the "District"), as of and for the year ended August 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors
Harris County Municipal
Utility District No. 148

**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 August 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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

January 14, 2020

## HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
### MANAGEMENT'S DISCUSSION AND ANALYSIS
### FOR THE YEAR ENDED AUGUST 31, 2019

Our discussion and analysis of Harris County Municipal Utility District No. 148's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 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 the District's assets, liabilities, and, if applicable, deferred inflows and outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

### FUND FINANCIAL STATEMENTS

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

## FUND FINANCIAL STATEMENTS (Continued)

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

## OTHER INFORMATION

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by $11,632,888 as of August 31, 2019. A portion of the District's net position reflects its net investment in capital assets (land, buildings and improvements as well as the water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of the Statement of Net Position as of August 31, 2019, and August 31, 2018:

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

Summary of Changes in the Statement of Net Position

| | 2019 | 2018 | Change Positive (Negative) |
|---|---|---|---|
| Current and Other Assets | $ 6,296,975 | $ 4,621,366 | $ 1,675,609 |
| Capital Assets (Net of Accumulated Depreciation) | 22,712,026 | 21,264,836 | 1,447,190 |
| Total Assets | $ 29,009,001 | $ 25,886,202 | $ 3,122,799 |
| Deferred Outflows of Resources | $ 289,890 | $ 328,088 | $ (38,198) |
| Due to Developer | $ 4,188,046 | $ 5,463,069 | $ 1,275,023 |
| Bonds Payable | 11,954,837 | 9,367,061 | (2,587,776) |
| Other Liabilities | 1,523,120 | 857,417 | (665,703) |
| Total Liabilities | $ 17,666,003 | $ 15,687,547 | $ (1,978,456) |
| Net Position: | | | |
| Net Investment in Capital Assets | $ 7,972,972 | $ 7,366,990 | $ 605,982 |
| Restricted | 1,722,337 | 1,377,565 | 344,772 |
| Unrestricted | 1,937,579 | 1,782,188 | 155,391 |
| Total Net Position | $ 11,632,888 | $ 10,526,743 | $ 1,106,145 |

The following table provides a summary of the District's operations for the years ended August 31, 2019, and August 31, 2018.

Summary of Changes in the Statement of Activities

| | 2019 | 2018 | Change Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Property Taxes | $ 1,673,365 | $ 1,571,675 | $ 101,690 |
| Charges for Services | 1,864,522 | 1,574,432 | 290,090 |
| Other Revenues | 1,520,985 | 225,860 | 1,295,125 |
| Total Revenues | $ 5,058,872 | $ 3,371,967 | $ 1,686,905 |
| Expenses for Services | 3,952,727 | 3,498,271 | (454,456) |
| Change in Net Position | $ 1,106,145 | $ (126,304) | $ 1,232,449 |
| Net Position, Beginning of Year | 10,526,743 | 10,653,047 | (126,304) |
| Net Position, End of Year | $ 11,632,888 | $ 10,526,743 | $ 1,106,145 |

## FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of August 31, 2019, were $4,831,845, an increase of $1,069,462 from the prior year.

The General Fund fund balance increased by $156,412, primarily due to tap connection and inspection, tax and service revenues exceeding operating and capital expenditures.

The Debt Service Fund fund balance increased by $403,307, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by $509,743 due to the sale of bonds and contributions from Sheldon Independent School District related to the District's Wastewater Treatment Plant Expansion project.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were $41,356 more than budgeted revenues primarily due to higher than anticipated property tax revenues and service revenues. Actual expenditures were $448,200 more than budgeted expenditures primarily due to higher than anticipated professional fees, contracted services, capital expenditures and repair/maintenance costs.

## LONG-TERM DEBT ACTIVITY

As of August 31, 2019, the District had total bond debt payable of $12,110,000. The changes in the debt position of the District during the current fiscal year are summarized as follows:

| | |
|---|---|
| Bond Debt Payable, September 1, 2018 | $ 9,535,000 |
| Add: Series 2018 | 2,915,000 |
| Less: Bond Principal Paid | 340,000 |
| Bond Debt Payable, August 31, 2019 | $ 12,110,000 |

The District's bonds carry an underlying rating of "BBB-" by Standard and Poor's. The District's Series 2013 Refunding bonds and Series 2018 bonds have an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corporation and Municipal Assurance Corp., respectively. The above ratings include all changes, if any, as of August 31, 2019.

## CAPITAL ASSETS

Capital assets as of August 31, 2019, total $22,712,026 (net of accumulated depreciation), and include land, buildings and equipment as well as the water, wastewater and drainage systems. Significant capital asset activity during the current year included the following projects:

- Relocation of Lift Station No. 1
- Extension of 8-inch waterline along North Lake Houston Parkway and Lockwood Road
- Water, Wastewater and Drainage facilities to serve Village of Kings Lake, Sections 4 and 5 and Villages of Kings Lake, Section 4 Detention ponds

Capital Assets At Year-End, Net of Accumulated Depreciation

| | 2019 | 2018 | Change Positive (Negative) |
|---|---|---|---|
| Capital Assets Not Being Depreciated: | | | |
| Land and Land Improvements | $ 625,505 | $ 544,677 | $ 80,828 |
| Construction in Progress | 985,869 | 869,189 | 116,680 |
| Capital Assets, Net of Accumulated Depreciation: | | | |
| Water System | 4,779,180 | 4,808,887 | (29,707) |
| Wastewater System | 9,923,563 | 9,067,819 | 855,744 |
| Drainage System | 5,083,665 | 4,622,955 | 460,710 |
| Building and Improvements | 1,314,244 | 1,351,309 | (37,065) |
| Total Net Capital Assets | $ 22,712,026 | $ 21,264,836 | $ 1,447,190 |

## CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 148, c/o Strawn & Richardson PC 6750 West Loop South, Suite 865, Bellaire, Texas 77401-4103.

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
## STATEMENT OF NET POSITION AND
## GOVERNMENTAL FUNDS BALANCE SHEET
## AUGUST 31, 2019

| | General Fund | Debt Service Fund |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 308,612 | $ 68,998 |
| Investments | 2,332,690 | 1,757,873 |
| Receivables: | | |
| Property Taxes | 22,336 | 44,696 |
| Penalty and Interest on Delinquent Taxes | | |
| Service Accounts | 215,974 | |
| Due from Other Funds | | 1,156 |
| Prepaid Costs | 23,637 | |
| Land | | |
| Construction in Progress | | |
| Capital Assets (Net of Accumulated Depreciation) | | |
| **TOTAL ASSETS** | $ 2,903,249 | $ 1,872,723 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred Charges on Refunding Bonds | $ -0- | $ -0- |
| **TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | $ 2,903,249 | $ 1,872,723 |

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

| Capital Projects Fund | Total | Adjustments | Statement of Net Position |
|---|---|---|---|
| $ 35,124 | $ 412,734 | $ | $ 412,734 |
| 1,444,358 | 5,534,921 | | 5,534,921 |
| | 67,032 | | 67,032 |
| | | 20,606 | 20,606 |
| | 215,974 | | 215,974 |
| 159,557 | 160,713 | (160,713) | |
| | 23,637 | 22,071 | 45,708 |
| | | 625,505 | 625,505 |
| | | 985,869 | 985,869 |
| | | 21,100,652 | 21,100,652 |
| $ 1,639,039 | $ 6,415,011 | $ 22,593,990 | $ 29,009,001 |
| $ -0- | $ -0- | $ 289,890 | $ 289,890 |
| $ 1,639,039 | $ 6,415,011 | $ 22,883,880 | $ 29,298,891 |

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

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
## STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
## AUGUST 31, 2019

| | General Fund | Debt Service Fund |
|---|---|---|
| **LIABILITIES** | | |
| Accounts Payable | $ 234,438 | $ 3,293 |
| Accrued Interest Payable | | |
| Due to Developers | | |
| Due to Other Funds | 160,713 | |
| Security/Annexation Deposits | 592,590 | |
| Long-Term Liabilities: | | |
| Bonds Payable, Due Within One Year | | |
| Bonds Payable, Due After One Year | | |
| **TOTAL LIABILITIES** | $ 987,741 | $ 3,293 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Property Taxes | $ 22,336 | $ 44,696 |
| **FUND BALANCES** | | |
| Nonspendable: Prepaid Costs | $ 23,637 | $ |
| Restricted for Authorized Construction | | |
| Restricted for Debt Service | | 1,824,734 |
| Unassigned | 1,869,535 | |
| **TOTAL FUND BALANCES** | $ 1,893,172 | $ 1,824,734 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** | $ 2,903,249 | $ 1,872,723 |
| **NET POSITION** | | |
| Net Investment in Capital Assets | | |
| Restricted for Debt Service | | |
| Unrestricted | | |
| **TOTAL NET POSITION** | | |

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

| Capital Projects Fund | Total | Adjustments | Statement of Net Position |
|---|---|---|---|
| $ 525,100 | $ 762,831 | $ | $ 762,831 |
| | | 167,699 | 167,699 |
| | | 4,188,046 | 4,188,046 |
| | 160,713 | (160,713) | |
| | 592,590 | | 592,590 |
| | | 585,000 | 585,000 |
| | | 11,369,837 | 11,369,837 |
| $ 525,100 | $ 1,516,134 | $ 16,149,869 | $ 17,666,003 |
| $ -0- | $ 67,032 | $ (67,032) | $ -0- |
| $ | $ 23,637 | $ (23,637) | $ |
| 1,113,939 | 1,113,939 | (1,113,939) | |
| | 1,824,734 | (1,824,734) | |
| | 1,869,535 | (1,869,535) | |
| $ 1,113,939 | $ 4,831,845 | $ (4,831,845) | $ -0- |
| $ 1,639,039 | $ 6,415,011 | | |
| | | $ 7,972,972 | $ 7,972,972 |
| | | 1,722,337 | 1,722,337 |
| | | 1,937,579 | 1,937,579 |
| | | $ 11,632,888 | $ 11,632,888 |

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

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
## AUGUST 31, 2019

| | | |
|---|---|---|
| Total Fund Balances - Governmental Funds | | $ 4,831,845 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Deferred charges on refunded bonds are amortized over the original remaining life of the old debt or the life of the new debt, whichever is less. | | 289,890 |
| Prepaid bond insurance is amortized over the repayment term of the bonds. | | 22,071 |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. | | 22,712,026 |
| 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. | | 87,638 |
| Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of: | | |
| Due to Developer | $ (4,188,046) | |
| Accrued Interest Payable | (167,699) | |
| Bonds Payable | (11,954,837) | (16,310,582) |
| Total Net Position - Governmental Activities | | $ 11,632,888 |

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

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# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
## STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
## FOR THE YEAR ENDED AUGUST 31, 2019

| | General Fund | Debt Service Fund |
|---|---|---|
| **REVENUES** | | |
| Property Taxes | $ 609,675 | $ 1,061,184 |
| Water Service | 576,832 | |
| Wastewater Service | 614,955 | |
| City of Houston GRP Fees | 405,092 | |
| Penalty and Interest | 61,485 | 26,345 |
| Tap Connection and Inspection Fees | 192,325 | |
| Investment and Miscellaneous Revenues | 85,994 | 40,105 |
| **TOTAL REVENUES** | $ 2,546,358 | $ 1,127,634 |
| **EXPENDITURES/EXPENSES** | | |
| Service Operations: | | |
| Professional Fees | $ 399,144 | $ 8,172 |
| Contracted Services | 460,189 | 39,034 |
| Purchased Water Service | 330,808 | |
| Utilities | 108,225 | |
| Repairs and Maintenance | 385,940 | |
| Depreciation | | |
| Other | 531,892 | 6,532 |
| Capital Outlay | 117,883 | |
| Developer Interest | | |
| Debt Service: | | |
| Bond Principal | | 340,000 |
| Bond Interest | | 330,589 |
| Bond Issuance Costs | 55,865 | |
| **TOTAL EXPENDITURES/EXPENSES** | $ 2,389,946 | $ 724,327 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES** | $ 156,412 | $ 403,307 |
| **OTHER FINANCING SOURCES (USES)** | | |
| Proceeds From Issuance of Long-Term Debt | $ | $ |
| Contributed by Other Governmental Unit | | |
| **TOTAL OTHER FINANCING SOURCES (USES)** | $ -0- | $ -0- |
| **NET CHANGE IN FUND BALANCES** | $ 156,412 | $ 403,307 |
| **CHANGE IN NET POSITION** | | |
| **FUND BALANCES/NET POSITION - SEPTEMBER 1, 2018** | 1,736,760 | 1,421,427 |
| **FUND BALANCES/NET POSITION - AUGUST 31, 2019** | $ 1,893,172 | $ 1,824,734 |

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

| Capital Projects Fund | Total | Adjustments | Statement of Activities |
|---|---|---|---|
| $ | $ 1,670,859 | $ 2,506 | $ 1,673,365 |
| | 576,832 | | 576,832 |
| | 614,955 | | 614,955 |
| | 405,092 | | 405,092 |
| | 87,830 | (12,512) | 75,318 |
| | 192,325 | | 192,325 |
| 40,951 | 167,050 | 1,353,935 | 1,520,985 |
| $ 40,951 | $ 3,714,943 | $ 1,343,929 | $ 5,058,872 |
| | | | |
| $ | $ 407,316 | $ | $ 407,316 |
| | 499,223 | | 499,223 |
| | 330,808 | | 330,808 |
| | 108,225 | | 108,225 |
| | 385,940 | | 385,940 |
| | | 864,481 | 864,481 |
| 100 | 538,524 | | 538,524 |
| 3,468,811 | 3,586,694 | (3,586,694) | |
| 30,499 | 30,499 | | 30,499 |
| | | | |
| | 340,000 | (340,000) | |
| | 330,589 | 100,524 | 431,113 |
| 300,733 | 356,598 | | 356,598 |
| $ 3,800,143 | $ 6,914,416 | $ (2,961,689) | $ 3,952,727 |
| | | | |
| $ (3,759,192) | $ (3,199,473) | $ 4,305,618 | $ 1,106,145 |
| | | | |
| $ 2,915,000 | $ 2,915,000 | $ (2,915,000) | $ |
| 1,353,935 | 1,353,935 | (1,353,935) | |
| $ 4,268,935 | $ 4,268,935 | $ (4,268,935) | $ -0- |
| $ 509,743 | $ 1,069,462 | $ (1,069,462) | $ |
| | | 1,106,145 | 1,106,145 |
| | | | |
| 604,196 | 3,762,383 | 6,764,360 | 10,526,743 |
| | | | |
| $ 1,113,939 | $ 4,831,845 | $ 6,801,043 | $ 11,632,888 |

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

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED AUGUST 31, 2019

| | |
|---|---|
| Net Change in Fund Balances - Governmental Funds | $ 1,069,462 |
| 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. | 2,506 |
| 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. | (12,512) |
| 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. | (864,481) |
| 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. | 3,586,694 |
| 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. | 340,000 |
| 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. | (100,524) |
| Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position. | (2,915,000) |
| Change in Net Position - Governmental Activities | $ 1,106,145 |

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

## NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 148 of Harris County, Texas was created effective December 20, 1976, by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the "Commission"). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The District's Board of Directors held its first meeting on October 13, 1977, and the first bonds were sold on November 10, 1978.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

<u>Financial Statement Presentation</u>

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

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

Financial Statement Presentation (Continued)

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

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

- Restricted Net Position – This component of net position consists of external constraints placed on the use of 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.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

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

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

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

Capital Projects Fund - To account for financial resources restricted, committed or assigned for the 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 fine.

Basis of Accounting

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 as the ability to repay the advance on a timely basis.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. The District chose to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than $20,000 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 | 10-45 |
| All Other Equipment | 3-20 |

Budgeting

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

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service determined that directors are considered “employees” for federal payroll tax purposes only.

Measurement Focus

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

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

Measurement Focus (Continued)

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances 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 has no assigned balances.

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

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

Accounting Estimates

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

### NOTE 3. LONG-TERM DEBT

| | Series 2009A | Series 2009B | Series 2012 |
|---|---|---|---|
| Amount Outstanding – August 31, 2019 | $1,780,000 | $1,870,000 | $2,790,000 |
| Interest Rates | 1.00% | 3.50% - 4.70% | 3.875% - 4.00% |
| Maturity Dates – Serially Beginning/Ending | April 1, 2020/2031 | April 1, 2020/2031 | April 1, 2027/2035 |
| Interest Payment Dates | October 1/April 1 | October 1/April 1 | October 1/April 1 |
| Callable Dates | April 1, 2020* | April 1, 2020* | April 1, 2020* |

| | Series 2013 Refunding | Series 2018 |
|---|---|---|
| Amount Outstanding – August 31, 2019 | $2,755,000 | $2,915,000 |
| Interest Rates | 2.00% - 3.00% | 4.00% - 4.125% |
| Maturity Dates – Serially Beginning/Ending | October 1, 2019/2026 | April 1, 2027/2037 |
| Interest Payment Dates | October 1/April 1 | October 1/April 1 |
| Callable Dates | April 1, 2021* | April 1, 2025* |

* Or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixes for redemption. Series 2012 term bonds maturing April 1, 2028, April 1, 2030, April 1, 2032, and April 1, 2035 are subject to mandatory redemption beginning on April 1, 2027, April 1, 2029, April 1, 2031, and April 1, 2033, respectively. Series 2018 term bonds maturing April 1, 2031 and April 1, 2035 are subject to mandatory redemption beginning on April 1, 2029 and April 1, 2032, respectively.

The following is a summary of transactions regarding bonds payable for the year ended August 31, 2019:

| | September 1, 2018 | Additions | Retirements | August 31, 2019 |
|---|---|---|---|---|
| Bonds Payable | $ 9,535,000 | $ 2,915,000 | $ 340,000 | $ 12,110,000 |
| Unamortized Discounts | (167,939) | | (12,776) | (155,163) |
| Bonds Payable, Net | $ 9,367,061 | $ 2,915,000 | $ 327,224 | $ 11,954,837 |

| | |
|---|---|
| Amount Due Within One Year | $ 585,000 |
| Amount Due After One Year | 11,369,837 |
| Bonds Payable, Net | $ 11,954,837 |

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

The District has $27,770,000 of authorized but unissued bonds for utility facilities and $18,775,000 of authorized but unissued bonds for refunding purposes. Results from a bond election in fiscal year 2007 authorized $35,700,000 in bonds to be used for either initial issue bonds or refunding bonds.

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

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 585,000 | $ 399,278 | $ 984,278 |
| 2021 | 590,000 | 386,702 | 976,702 |
| 2022 | 605,000 | 372,830 | 977,830 |
| 2023 | 625,000 | 357,657 | 982,657 |
| 2024 | 635,000 | 340,971 | 975,971 |
| 2025-2029 | 3,425,000 | 1,433,230 | 4,858,230 |
| 2030-2034 | 3,300,000 | 875,605 | 4,175,605 |
| 2035-2037 | 2,345,000 | 195,625 | 2,540,625 |
| | $ 12,110,000 | $ 4,361,898 | $ 16,471,898 |

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 certain 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 sanitary sewer system.

During the year ended August 31, 2019, the District levied an ad valorem debt service tax rate of $0.605 per $100 of assessed valuation, which resulted in a tax levy of $1,069,836 on the adjusted taxable valuation of $176,832,452 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.

## NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to certain information repositories. 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.

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 issue.

## 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 $412,734 and the bank balance was $445,630. The District was not exposed to custodial credit risk at year-end.

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

## NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

| | Cash |
|---|---|
| GENERAL FUND | $ 308,612 |
| DEBT SERVICE FUND | 68,998 |
| CAPITAL PROJECTS FUND | 35,124 |
| TOTAL DEPOSITS | $ 412,734 |

Investments

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

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

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

## NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

| Fund and Investment Type | Fair Value | Maturities of Less Than 1 Year |
|---|---|---|
| GENERAL FUND | | |
| TexPool | $ 2,332,690 | $ 2,332,690 |
| DEBT SERVICE FUND | | |
| TexPool | 1,757,873 | 1,757,873 |
| CAPITAL PROJECTS FUND | | |
| TexPool | 1,444,358 | 1,444,358 |
| TOTAL INVESTMENTS | $ 5,534,921 | $ 5,534,921 |

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At August 31, 2019, the District's investment in TexPool was rated AAAm by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

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

## NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2019 is as follows:

| | September 1, 2018 | Increases | Decreases | August 31, 2019 |
|---|---|---|---|---|
| **Capital Assets Not Being Depreciated** | | | | |
| Land and Land Improvements | $ 544,677 | $ 80,828 | $ | $ 625,505 |
| Construction in Progress | 869,189 | 2,230,843 | 2,114,163 | 985,869 |
| **Total Capital Assets Not Being Depreciated** | $ 1,413,866 | $ 2,311,671 | $ 2,114,163 | $ 1,611,374 |
| **Capital Assets Subject to Depreciation** | | | | |
| Water System | $ 6,814,973 | $ 187,669 | $ | $ 7,002,642 |
| Wastewater System | 12,105,685 | 1,261,094 | | 13,366,779 |
| Drainage System | 6,894,329 | 665,400 | | 7,559,729 |
| Buildings and Improvements | 1,482,616 | | | 1,482,616 |
| **Total Capital Assets Subject to Depreciation** | $ 27,297,603 | $ 2,114,163 | $ - 0 - | $ 29,411,766 |
| **Accumulated Depreciation** | | | | |
| Water System | $ 2,006,086 | $ 217,376 | $ | $ 2,223,462 |
| Wastewater System | 3,037,866 | 405,350 | | 3,443,216 |
| Drainage System | 2,271,374 | 204,690 | | 2,476,064 |
| Buildings and Improvements | 131,307 | 37,065 | | 168,372 |
| **Total Accumulated Depreciation** | $ 7,446,633 | $ 864,481 | $ - 0 - | $ 8,311,114 |
| **Total Depreciable Capital Assets, Net of Accumulated Depreciation** | $ 19,850,970 | $ 1,249,682 | $ - 0 - | $ 21,100,652 |
| **Total Capital Assets, Net of Accumulated Depreciation** | $ 21,264,836 | $ 3,561,353 | $ 2,114,163 | $ 22,712,026 |

## NOTE 7. MAINTENANCE TAX

On August 8, 1987, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed $0.25 per $100 of assessed valuation of taxable property within the District. On November 5, 2013, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed $0.50 per $100 of assessed valuation of taxable property within the District. During the year ended August 31, 2019, the District levied an ad valorem maintenance tax rate of $0.348 per $100 of assessed valuation, which resulted in an adjusted tax levy of $615,377 on the adjusted taxable valuation of $176,832,452 for the 2018 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

### NOTE 8. UNREIMBURSED COSTS

Developers within the District have made expenditures of approximately $4,188,046 on behalf of the District in accordance with financing agreements as of August 31, 2019. Reimbursement to the Developers for these projects is contingent upon approval from the Commission and the future sale of bonds or use of other available surplus funds (see Notes 14 and 15).

### NOTE 9. INTERFUND PAYABLES AND RECEIVABLES

The General Fund owes the Debt Service Fund $1,156 for an over-transfer of tax collections and the Capital Projects Fund $159,557 for bond issuance costs related to Series 2009A and Series 2009B bonds less engineering and inspection costs for waterline improvement projects as well as Series 2018 issuance costs.

### NOTE 10. RISK MANAGEMENT

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

### NOTE 11. PURCHASED WATER

The District entered into a Treated Water Supply Contract with the City of Houston (the City). The District makes monthly payments per thousand gallons of water pumped by the District based on the groundwater pumpage rate established by City Ordinances, currently $3.15 per 1,000 gallons. The minimum monthly quantity of water for which the District must pay, whether taken or not, is 7,000,000 gallons and the maximum monthly quantity allowed to be taken is 16,270,000 gallons. The District paid the City $330,808 in the current fiscal year.

### NOTE 12. ESCROW REQUIREMENTS

The Texas Water Development Board (“TWDB”) required the District to escrow funds from the District’s $2,855,000 Series 2009A bonds for wastewater treatment plant rehabilitation. As of August 31, 2019, $24,794, plus interest, remains in escrow. These funds cannot be expended without prior written authorization from the TWDB.

## NOTE 13. SHELDON INDEPENDENT SCHOOL DISTRICT

The District entered into a service agreement dated March 24, 2009, with Sheldon Independent School District ("Sheldon") in which the District provides water and sewer services to Sheldon, an out-of-district customer. Sheldon's facilities were designed and constructed solely at Sheldon's cost without prospect for reimbursement by the District. The District charges Sheldon the commercial out-of-district water and sewer rates established in the District's Rate Order. The facilities are maintained and repaired by Sheldon. However, if a repair is not made in a timely manner, the District will make the repair and bill Sheldon. Repair and maintenance of the water meter is the responsibility of the District.

The District and Sheldon entered into additional agreements for the District to provide additional service capacity to Sheldon for the expected growth and new facilities constructed. The agreements include reimbursement from Sheldon of an initial cost to deliver additional capacity as well as an amount paid to the District to pay for a portion of the costs of operation. One agreement dated July 29, 2010, is for capacity of 10,500 gallons per day (GPD) or 34 service units at a total cost of $244,189 to Sheldon which was recorded as revenue in a prior fiscal year. A separate service agreement dated November 2011 provides for an additional 8 service units at a cost to Sheldon of $57,456 which was paid in a prior fiscal year.

A separate agreement dated October 23, 2018 makes provision for services to a 185-acre tract of land (the "property") for a proposed high school, elementary school and sports stadium. The District agrees to commit and to provide water and sewer capacity to serve the property, not to exceed 193 equivalent single-family connections. As part of the agreement, Sheldon agreed to pay the District its pro-rata share of the cost of the District's water treatment facility and the proposed wastewater treatment facilities expansion, existing water and sanitary lines to serve the property. Additional amounts will also be paid if District facilities are expanded in the future.

## NOTE 14. BOND SALE

On November 27, 2018, the District issued its $2,915,000 Unlimited Tax Bonds, Series 2018. The proceeds were used to reimburse Developers for water, wastewater and drainage improvements; clearing and grubbing; detention pond expansion; waterline extension and blow off valves; land costs; and associated engineering fees within the subdivision of Greensbrook, Section 5, Village of Kings Lake, Sections 2 and 3 and Greensbrook Place, Section 4. Additionally, proceeds from the bonds were used to pay certain costs of issuance of the bonds.

### NOTE 15. SUBSEQUENT EVENTS - BOND SALE AND PENDING BOND SALE

Subsequent to year-end, on September 17, 2019, the District issued its $6,065,000 Unlimited Tax Bonds, Series 2019. The proceeds will be used to reimburse Developers for water, wastewater and drainage improvements; drainage study; land costs; and associated engineering fees within the subdivision of Village of Kings Lake, Section 4 and Greensbrook Place, Section 5. Proceeds will also be used for District facilities including fire hydrant replacement; lift station no. 2; water plant modifications; purchase of additional water capacity from the City of Houston; wastewater treatment plant expansion; engineering; and other issuance costs of the bonds.

On October 31, 2018, the District submitted an application to the Texas Water Development Board (the "TWDB") for the issuance of bonds in the amount of $4,060,000. The amount was subsequently reduced to $3,800,000. As of the date of this report the application has been approved by the TWDB and the Texas Attorney General and is awaiting review by the Commission. The District anticipates closing on the bonds in the first quarter of 2020.

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148

## REQUIRED SUPPLEMENTARY INFORMATION

## AUGUST 31, 2019

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
## FOR THE YEAR ENDED AUGUST 31, 2019

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| **REVENUES** | | | |
| Property Taxes | $ 553,500 | $ 609,675 | $ 56,175 |
| Water Service | 522,000 | 576,832 | 54,832 |
| Wastewater Service | 540,002 | 614,955 | 74,953 |
| City of Houston GRP Fees | 360,000 | 405,092 | 45,092 |
| Penalty and Interest | 64,800 | 61,485 | (3,315) |
| Tap Connection and Inspection Fees | 397,500 | 192,325 | (205,175) |
| Investment and Miscellaneous Revenues | 67,200 | 85,994 | 18,794 |
| **TOTAL REVENUES** | $ 2,505,002 | $ 2,546,358 | $ 41,356 |
| **EXPENDITURES** | | | |
| Services Operations: | | | |
| Professional Fees | $ 163,004 | $ 399,144 | $ (236,140) |
| Contracted Services | 395,330 | 460,189 | (64,859) |
| Purchased Water Service | 366,000 | 330,808 | 35,192 |
| Utilities | 92,520 | 108,225 | (15,705) |
| Repairs and Maintenance | 292,396 | 385,940 | (93,544) |
| Other | 563,296 | 587,757 | (24,461) |
| Capital Outlay | 69,200 | 117,883 | (48,683) |
| **TOTAL EXPENDITURES** | $ 1,941,746 | $ 2,389,946 | $ (448,200) |
| **NET CHANGE IN FUND BALANCE** | $ 563,256 | $ 156,412 | $ (406,844) |
| **FUND BALANCE - SEPTEMBER 1, 2018** | 1,736,760 | 1,736,760 | |
| **FUND BALANCE - AUGUST 31, 2019** | $ 2,300,016 | $ 1,893,172 | $ (406,844) |

See accompanying independent auditor's report.

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# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148

## SUPPLEMENTARY INFORMATION REQUIRED BY THE

## WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

## AUGUST 31, 2019

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
## SERVICES AND RATES
## FOR THE YEAR ENDED AUGUST 31, 2019

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

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

### 2. RETAIL SERVICE PROVIDERS

#### a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order approved on May 14, 2019.

| | Minimum Charge | Minimum Usage | Flat Rate Y/N | Rate per 1,000 Gallons over Minimum Use | Usage Levels |
|---|---|---|---|---|---|
| WATER: | $ 18.00 | 1,000 | N | $1.60 | 1,001 to 7,000 |
| | | | | $2.00 | 7,001 to 15,000 |
| | | | | $2.50 | 15,001 to 20,000 |
| | | | | $2.75 | 20,001 to 50,000 |
| | | | | $3.50 | 50,001 and up |
| WASTEWATER: | $ 27.50* | 1,000 | N | $ 1.00 | 1,001 and up |
| SURCHARGE: | | | | | |
| Commission Regulatory Assessment | Included in rates above. | | | | |
| City of Houston GRP fee | $3.15 per 1,000 gallons + 12% | | | | |

District employs winter averaging for wastewater usage? ______ Yes  X No

Total monthly charges per 10,000 gallons usage: Water: $33.60 Wastewater: $36.50 Surcharge: $35.30

*Solid waste disposal included.

See accompanying independent auditor's report.

## 2. RETAIL SERVICE PROVIDERS (Continued)

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

| Meter Size | Total Connections | Active Connections | ESFC Factor | Active ESFCs |
|---|---|---|---|---|
| Unmetered | | | x 1.0 | |
| ≤¾" | 1,770 | 1,682 | x 1.0 | 1,682 |
| 1" | 7 | 7 | x 2.5 | 18 |
| 1½" | 3 | 3 | x 5.0 | 15 |
| 2" | 15 | 12 | x 8.0 | 96 |
| 3" | | | x 15.0 | |
| 4" | | | x 25.0 | |
| 6" | 3 | 3 | x 50.0 | 150 |
| 8" | 2 | 2 | x 80.0 | 160 |
| 10" | | | x 115.0 | |
| Total Water Connections | 1,800 | 1,709 | | 2,121 |
| Total Wastewater Connections | 1,800 | 1,709 | x 1.0 | 1,709 |

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

| | | |
|---|---|---|
| | | Water Accountability Ratio: 90% (Gallons billed/Gallons pumped and purchased) |
| Gallons pumped into system: | 17,228,000 | |
| Gallons billed to customers: | 110,713,000 | |
| Gallons purchased: | 106,262,000 | From: City of Houston, Texas |

See accompanying independent auditor's report.

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

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

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

5. **LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes _X_ No ___

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ___ Partly ___ Not at all _X_

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

Entirely _X_ Partly ___ Not at all ___

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ___ No _X_

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
## GENERAL FUND EXPENDITURES
## FOR THE YEAR ENDED AUGUST 31, 2019

| | | |
|---|---|---|
| PROFESSIONAL FEES: | | |
| Auditing | $ | 24,000 |
| Engineering | | 318,533 |
| Legal | | 56,611 |
| TOTAL PROFESSIONAL FEES | $ | 399,144 |
| PURCHASED WATER SERVICE | $ | 330,808 |
| CONTRACTED SERVICES: | | |
| Bookkeeping | $ | 37,588 |
| Operations and Billing | | 33,600 |
| Solid Waste Disposal | | 298,469 |
| Security | | 90,532 |
| TOTAL CONTRACTED SERVICES | $ | 460,189 |
| UTILITIES | $ | 108,225 |
| REPAIRS AND MAINTENANCE | $ | 385,940 |
| ADMINISTRATIVE EXPENDITURES: | | |
| Director Fees, Including Taxes and Administration | $ | 40,586 |
| Insurance | | 51,772 |
| Office Supplies and Postage | | 76,838 |
| Travel and Meetings | | 49,623 |
| Other | | 26,546 |
| TOTAL ADMINISTRATIVE EXPENDITURES | $ | 245,365 |
| CAPITAL OUTLAY | $ | 117,883 |
| TAP CONNECTIONS | $ | 81,156 |
| OTHER EXPENDITURES: | | |
| Chemicals | $ | 26,222 |
| Bond Issuance Costs | | 55,865 |
| Laboratory Fees | | 17,316 |
| Permit Fees | | 8,505 |
| Inspection/Disconnect/Transfer Fees | | 50,110 |
| Regulatory Assessment | | 5,689 |
| Sludge Hauling | | 97,529 |
| TOTAL OTHER EXPENDITURES | $ | 261,236 |
| TOTAL EXPENDITURES | $ | 2,389,946 |

See accompanying independent auditor's report.

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
## INVESTMENTS
## AUGUST 31, 2019

| Funds | Identification or Certificate Number | Interest Rate | Maturity Date | Balance at End of Year | Accrued Interest Receivable at End of Year |
|---|---|---|---|---|---|
| GENERAL FUND | | | | | |
| TexPool | XXXX0003 | Varies | Daily | $ 2,332,690 | $ - 0 - |
| DEBT SERVICE FUND | | | | | |
| TexPool | XXXX0001 | Varies | Daily | $ 1,757,873 | $ - 0 - |
| CAPITAL PROJECTS FUND | | | | | |
| TexPool | XXXX0005 | Varies | Daily | $ 284,393 | $ |
| TexPool | XXXX0006 | Varies | Daily | 1,159,965 | |
| TOTAL CAPITAL PROJECTS FUND | | | | $ 1,444,358 | $ - 0 - |
| TOTAL - ALL FUNDS | | | | $ 5,534,921 | $ - 0 - |

See accompanying independent auditor's report.

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
## TAXES LEVIED AND RECEIVABLE
## FOR THE YEAR ENDED AUGUST 31, 2019

| | Maintenance Taxes | | Debt Service Taxes | |
|---|---|---|---|---|
| TAXES RECEIVABLE - SEPTEMBER 1, 2018 | $ 20,449 | | $ 44,077 | |
| Adjustments to Beginning Balance | (3,815) | $ 16,634 | (8,033) | $ 36,044 |
| Original 2018 Tax Levy | $ 540,398 | | $ 939,485 | |
| Adjustment to 2018 Tax Levy | 74,979 | 615,377 | 130,351 | 1,069,836 |
| TOTAL TO BE ACCOUNTED FOR | | $ 632,011 | | $ 1,105,880 |
| TAX COLLECTIONS: | | | | |
| Prior Years | $ 6,700 | | $ 12,908 | |
| Current Year | 602,975 | 609,675 | 1,048,276 | 1,061,184 |
| TAXES RECEIVABLE - AUGUST 31, 2019 | | $ 22,336 | | $ 44,696 |
| TAXES RECEIVABLE BY YEAR: | | | | |
| 2018 | | $ 12,402 | | $ 21,560 |
| 2017 | | 5,372 | | 10,002 |
| 2016 | | 1,393 | | 3,158 |
| 2015 | | 1,029 | | 2,600 |
| 2014 | | 474 | | 1,335 |
| 2013 and prior | | 1,666 | | 6,041 |
| TOTAL | | $ 22,336 | | $ 44,696 |

See accompanying independent auditor's report.

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
## TAXES LEVIED AND RECEIVABLE
## FOR THE YEAR ENDED AUGUST 31, 2019

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| PROPERTY VALUATIONS: | | | | |
| Land | $ 49,075,520 | $ 42,962,014 | $ 33,257,349 | $ 31,066,169 |
| Improvements | 165,075,230 | 166,671,748 | 134,993,891 | 115,072,062 |
| Personal Property | 7,881,186 | 4,035,578 | 3,597,424 | 3,698,851 |
| Exemptions | (45,199,484) | (48,457,697) | (41,066,715) | (37,630,901) |
| TOTAL PROPERTY VALUATIONS | $ 176,832,452 | $ 165,211,643 | $ 130,781,949 | $ 112,206,181 |
| TAX RATES PER $100 VALUATION: | | | | |
| Debt Service | $ 0.605 | $ 0.620 | $ 0.680 | $ 0.738 |
| Maintenance | 0.348 | 0.333 | 0.300 | 0.292 |
| TOTAL TAX RATES PER $100 VALUATION | $ 0.953 | $ 0.953 | $ 0.980 | $ 1.030 |
| ADJUSTED TAX LEVY* | $ 1,685,213 | $ 1,574,467 | $ 1,281,663 | $ 1,155,724 |
| PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED | 97.98 % | 99.02 % | 99.64 % | 99.69 % |

* Based upon 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 $0.50 per $100 of assessed valuation approved by voters on November 5, 2013.

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
## LONG-TERM DEBT SERVICE REQUIREMENTS
## AUGUST 31, 2019

| | S E R I E S - 2 0 0 9 A | | |
|---|---|---|---|
| Due During Fiscal Years Ending August 31 | Principal Due April 1 | Interest Due October 1/ April 1 | Total |
| 2020 | $ 140,000 | $ 17,800 | $ 157,800 |
| 2021 | 140,000 | 16,400 | 156,400 |
| 2022 | 145,000 | 15,000 | 160,000 |
| 2023 | 145,000 | 13,550 | 158,550 |
| 2024 | 145,000 | 12,100 | 157,100 |
| 2025 | 150,000 | 10,650 | 160,650 |
| 2026 | 150,000 | 9,150 | 159,150 |
| 2027 | 150,000 | 7,650 | 157,650 |
| 2028 | 150,000 | 6,150 | 156,150 |
| 2029 | 155,000 | 4,650 | 159,650 |
| 2030 | 155,000 | 3,100 | 158,100 |
| 2031 | 155,000 | 1,550 | 156,550 |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |
| 2037 | | | |
| | $ 1,780,000 | $ 117,750 | $ 1,897,750 |

See accompanying independent auditor's report.

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148

## LONG-TERM DEBT SERVICE REQUIREMENTS

## AUGUST 31, 2019

| | SERIES - 2009B | | |
|---|---|---|---|
| Due During Fiscal Years Ending August 31 | Principal Due April 1 | Interest Due October 1/ April 1 | Total |
| 2020 | $ 125,000 | $ 80,590 | $ 205,590 |
| 2021 | 130,000 | 76,215 | 206,215 |
| 2022 | 135,000 | 71,405 | 206,405 |
| 2023 | 140,000 | 66,207 | 206,207 |
| 2024 | 145,000 | 60,608 | 205,608 |
| 2025 | 150,000 | 74,735 | 224,735 |
| 2026 | 160,000 | 48,210 | 208,210 |
| 2027 | 165,000 | 41,090 | 206,090 |
| 2028 | 170,000 | 33,582 | 203,582 |
| 2029 | 175,000 | 25,763 | 200,763 |
| 2030 | 185,000 | 17,625 | 202,625 |
| 2031 | 190,000 | 8,930 | 198,930 |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |
| 2037 | | | |
| | $ 1,870,000 | $ 604,960 | $ 2,474,960 |

See accompanying independent auditor's report.

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
## LONG-TERM DEBT SERVICE REQUIREMENTS
## AUGUST 31, 2019

| | SERIES-2012 | | |
|---|---|---|---|
| Due During Fiscal Years Ending August 31 | Principal Due April 1 | Interest Due October 1/ April 1 | Total |
| 2020 | $ | $ 111,338 | $ 111,338 |
| 2021 | | 111,337 | 111,337 |
| 2022 | | 111,338 | 111,338 |
| 2023 | | 111,337 | 111,337 |
| 2024 | | 111,338 | 111,338 |
| 2025 | | 111,337 | 111,337 |
| 2026 | | 111,338 | 111,338 |
| 2027 | 100,000 | 111,337 | 211,337 |
| 2028 | 110,000 | 107,463 | 217,463 |
| 2029 | 115,000 | 103,200 | 218,200 |
| 2030 | 125,000 | 98,600 | 223,600 |
| 2031 | 135,000 | 93,600 | 228,600 |
| 2032 | 505,000 | 88,200 | 593,200 |
| 2033 | 535,000 | 68,000 | 603,000 |
| 2034 | 565,000 | 46,600 | 611,600 |
| 2035 | 600,000 | 24,000 | 624,000 |
| 2036 | | | |
| 2037 | | | |
| | $ 2,790,000 | $ 1,520,363 | $ 4,310,363 |

See accompanying independent auditor's report.

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
## LONG-TERM DEBT SERVICE REQUIREMENTS
## AUGUST 31, 2019

| | SERIES-2013 REFUNDING | | |
|---|---|---|---|
| Due During Fiscal Years Ending August 31 | Principal Due October 1 | Interest Due October 1/ April 1 | Total |
| 2020 | $ 320,000 | $ 70,950 | $ 390,950 |
| 2021 | 320,000 | 64,150 | 384,150 |
| 2022 | 325,000 | 56,487 | 381,487 |
| 2023 | 340,000 | 47,963 | 387,963 |
| 2024 | 345,000 | 38,325 | 383,325 |
| 2025 | 360,000 | 27,750 | 387,750 |
| 2026 | 365,000 | 16,875 | 381,875 |
| 2027 | 380,000 | 5,700 | 385,700 |
| 2028 | | | |
| 2029 | | | |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |
| 2037 | | | |
| | $ 2,755,000 | $ 328,200 | $ 3,083,200 |

See accompanying independent auditor's report.

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
## LONG-TERM DEBT SERVICE REQUIREMENTS
## AUGUST 31, 2019

| | SERIES-2018 | | |
|---|---|---|---|
| Due During Fiscal Years Ending August 31 | Principal Due April 1 | Interest Due October 1/ April 1 | Total |
| 2020 | $ | $ 118,600 | $ 118,600 |
| 2021 | | 118,600 | 118,600 |
| 2022 | | 118,600 | 118,600 |
| 2023 | | 118,600 | 118,600 |
| 2024 | | 118,600 | 118,600 |
| 2025 | | 118,600 | 118,600 |
| 2026 | | 118,600 | 118,600 |
| 2027 | 135,000 | 118,600 | 253,600 |
| 2028 | 140,000 | 113,200 | 253,200 |
| 2029 | 145,000 | 107,600 | 252,600 |
| 2030 | 145,000 | 101,800 | 246,800 |
| 2031 | 150,000 | 96,000 | 246,000 |
| 2032 | 155,000 | 90,000 | 245,000 |
| 2033 | 150,000 | 83,800 | 233,800 |
| 2034 | 150,000 | 77,800 | 227,800 |
| 2035 | 145,000 | 71,800 | 216,800 |
| 2036 | 780,000 | 66,000 | 846,000 |
| 2037 | 820,000 | 33,825 | 853,825 |
| | $ 2,915,000 | $ 1,790,625 | $ 4,705,625 |

See accompanying independent auditor's report.

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
## LONG-TERM DEBT SERVICE REQUIREMENTS
## AUGUST 31, 2019

| | ANNUAL REQUIREMENTS FOR ALL SERIES | | |
|---|---|---|---|
| Due During Fiscal Years Ending August 31 | Total Principal Due | Total Interest Due | Total Principal and Interest Due |
| 2020 | $ 585,000 | $ 399,278 | $ 984,278 |
| 2021 | 590,000 | 386,702 | 976,702 |
| 2022 | 605,000 | 372,830 | 977,830 |
| 2023 | 625,000 | 357,657 | 982,657 |
| 2024 | 635,000 | 340,971 | 975,971 |
| 2025 | 660,000 | 343,072 | 1,003,072 |
| 2026 | 675,000 | 304,173 | 979,173 |
| 2027 | 930,000 | 284,377 | 1,214,377 |
| 2028 | 570,000 | 260,395 | 830,395 |
| 2029 | 590,000 | 241,213 | 831,213 |
| 2030 | 610,000 | 221,125 | 831,125 |
| 2031 | 630,000 | 200,080 | 830,080 |
| 2032 | 660,000 | 178,200 | 838,200 |
| 2033 | 685,000 | 151,800 | 836,800 |
| 2034 | 715,000 | 124,400 | 839,400 |
| 2035 | 745,000 | 95,800 | 840,800 |
| 2036 | 780,000 | 66,000 | 846,000 |
| 2037 | 820,000 | 33,825 | 853,825 |
| | $ 12,110,000 | $ 4,361,898 | $ 16,471,898 |

See accompanying independent auditor's report.

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
## CHANGES IN LONG-TERM BOND DEBT
## FOR THE YEAR ENDED AUGUST 31, 2019

| Description | Original Bonds Issued | Bonds Outstanding September 1, 2018 |
|---|---|---|
| Harris County Municipal Utility District No. 148 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2009A | $ 2,855,000 | $ 1,920,000 |
| Harris County Municipal Utility District No. 148 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2009B | 2,710,000 | 1,990,000 |
| Harris County Municipal Utility District No. 148 Unlimited Tax Bonds - Series 2012 | 3,450,000 | 2,790,000 |
| Harris County Municipal Utility District No. 148 Unlimited Tax Refunding Bonds - Series 2013 | 4,255,000 | 2,835,000 |
| Harris County Municipal Utility District No. 148 Unlimited Tax Bonds - Series 2018 | 2,915,000 | |
| TOTAL | $ 16,185,000 | $ 9,535,000 |

| Bond Authority: | Tax Bonds* | Refunding Bonds |
|---|---|---|
| Amount Authorized by Voters | $ 48,700,000 | $ 19,500,000 |
| Amount Issued | 20,930,000 | 725,000 |
| Remaining to be Issued | $ 27,770,000 | $ 18,775,000 |

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes. Results from a bond election in fiscal year 2007 authorized $35,700,000 in bonds to be used for either initial issue bonds or refunding bonds.

See accompanying independent auditor’s report.

| Current Year Transactions | | | | |
|---|---|---|---|---|
| | Retirements | | Bonds | |
| Bonds Sold | Principal | Interest | Outstanding August 31, 2019 | Paying Agent |
| $ | $ 140,000 | $ 19,200 | $ 1,780,000 | BOKF, N.A. dba Bank of Texas Austin, TX |
| | 120,000 | 84,250 | 1,870,000 | BOKF, N.A. dba Bank of Texas Austin, TX |
| | | 111,337 | 2,790,000 | BOKF, N.A. dba Bank of Texas Austin, TX |
| | 80,000 | 74,950 | 2,755,000 | BOKF, N.A. dba Bank of Texas Austin, TX |
| 2,915,000 | | 40,852 | 2,915,000 | UMB Bank, N.A. Austin, TX |
| $ 2,915,000 | $ 340,000 | $ 330,589 | $ 12,110,000 | |

| | |
|---|---|
| Debt Service Fund cash balances as of August 31, 2019: | $ 1,826,871 |
| Average annual debt service payment (principal and interest) for remaining term of all debt: | $ 915,105 |

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

See accompanying independent auditor's report.

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
## GENERAL FUND - FIVE YEARS

| | Amounts | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| **REVENUES** | | | |
| Property Taxes | $ 609,675 | $ 545,535 | $ 393,324 |
| Water Service | 576,832 | 497,489 | 526,725 |
| Wastewater Service | 614,955 | 535,778 | 550,311 |
| City of Houston GRP Fees | 405,092 | 397,574 | 385,940 |
| Grant Revenues | | 25,793 | 409,998 |
| Penalty and Interest | 61,485 | 41,261 | 64,913 |
| Tap Connection and Inspection Fees | 192,325 | 69,825 | 133,964 |
| Investment and Miscellaneous Revenues | 85,994 | 175,010 | 61,289 |
| **TOTAL REVENUES** | $ 2,546,358 | $ 2,288,265 | $ 2,526,464 |
| **EXPENDITURES** | | | |
| Professional Fees | $ 399,144 | $ 328,658 | $ 212,737 |
| Purchased and Contracted Services | 790,997 | 733,401 | 741,521 |
| Utilities | 108,225 | 92,505 | 89,559 |
| Repairs and Maintenance | 385,940 | 389,509 | 289,601 |
| Other | 587,757 | 419,929 | 362,771 |
| Capital Outlay | 117,883 | 380,174 | 554,978 |
| **TOTAL EXPENDITURES** | $ 2,389,946 | $ 2,344,176 | $ 2,251,167 |
| **NET CHANGE IN FUND BALANCE** | $ 156,412 | $ (55,911) | $ 275,297 |
| **BEGINNING FUND BALANCE** | 1,736,760 | 1,792,671 | 1,517,374 |
| **ENDING FUND BALANCE** | $ 1,893,172 | $ 1,736,760 | $ 1,792,671 |

See accompanying independent auditor's report.

| | | Percentage of Total Revenues | | | | |
|---|---|---|---|---|---|---|
| 2016 | 2015 | 2019 | 2018 | 2017 | 2016 | 2015 |
| $ 325,347 | $ 286,963 | 23.8 % | 23.9 % | 15.6 % | 16.9 % | 15.7 % |
| 524,507 | 501,997 | 22.7 | 21.7 | 20.8 | 27.1 | 27.5 |
| 554,972 | 516,386 | 24.2 | 23.4 | 21.8 | 28.6 | 28.3 |
| 341,847 | 306,148 | 15.9 | 17.4 | 15.3 | 17.6 | 16.8 |
| | | | 1.1 | 16.2 | | |
| 64,103 | 95,595 | 2.4 | 1.8 | 2.6 | 3.3 | 5.2 |
| 101,469 | 75,950 | 7.6 | 3.1 | 5.3 | 5.2 | 4.2 |
| 25,895 | 42,370 | 3.4 | 7.6 | 2.4 | 1.3 | 2.3 |
| $ 1,938,140 | $ 1,825,409 | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| $ 202,779 | $ 177,045 | 15.7 % | 14.4 % | 8.4 % | 10.5 % | 9.7 % |
| 692,151 | 634,116 | 31.1 | 32.1 | 29.4 | 35.7 | 34.7 |
| 81,743 | 78,459 | 4.3 | 4.0 | 3.5 | 4.2 | 4.3 |
| 257,389 | 220,748 | 15.2 | 17.0 | 11.5 | 13.3 | 12.1 |
| 433,377 | 317,784 | 23.1 | 18.4 | 14.4 | 22.4 | 17.4 |
| | | 4.6 | 16.6 | 22.0 | | |
| $ 1,667,439 | $ 1,428,152 | 94.0 % | 102.5 % | 89.2 % | 86.1 % | 78.2 % |
| $ 270,701 | $ 397,257 | 6.0 % | (2.5) % | 10.8 % | 13.9 % | 21.8 % |
| 1,246,673 | 849,416 | | | | | |
| $ 1,517,374 | $ 1,246,673 | | | | | |

See accompanying independent auditor's report.

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
## DEBT SERVICE FUND - FIVE YEARS

| | Amounts | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| **REVENUES** | | | |
| Property Taxes | $ 1,061,184 | $ 1,021,123 | $ 896,576 |
| Penalty and Interest | 26,345 | 31,399 | 29,620 |
| Investment and Miscellaneous Revenues | 40,105 | 18,974 | 2,720 |
| **TOTAL REVENUES** | $ 1,127,634 | $ 1,071,496 | $ 928,916 |
| **EXPENDITURES** | | | |
| Tax Collection Expenditures | $ 51,738 | $ 51,501 | $ 44,568 |
| Debt Service Principal | 340,000 | 565,000 | 545,000 |
| Debt Service Interest and Fees | 332,589 | 303,765 | 314,634 |
| **TOTAL EXPENDITURES** | $ 724,327 | $ 920,266 | $ 904,202 |
| **NET CHANGE IN FUND BALANCE** | $ 403,307 | $ 151,230 | $ 24,714 |
| **BEGINNING FUND BALANCE** | 1,421,427 | 1,270,197 | 1,245,483 |
| **ENDING FUND BALANCE** | $ 1,824,734 | $ 1,421,427 | $ 1,270,197 |
| **TOTAL ACTIVE RETAIL WATER CONNECTIONS** | 1,709 | 1,548 | 1,483 |
| **TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS** | 1,709 | 1,548 | 1,483 |

See accompanying independent auditor's report.

| | | Percentage of Total Revenues | | | | |
|---|---|---|---|---|---|---|
| 2016 | 2015 | 2019 | 2018 | 2017 | 2016 | 2015 |
| $ 824,627 | $ 813,455 | 94.1 % | 95.3 % | 96.5 % | 97.5 % | 96.7 % |
| 18,522 | 25,679 | 2.3 | 2.9 | 3.2 | 2.2 | 3.0 |
| 2,177 | 2,929 | 3.6 | 1.8 | 0.3 | 0.3 | 0.3 |
| $ 845,326 | $ 842,063 | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| $ 42,895 | $ 43,180 | 4.6 % | 4.8 % | 4.8 % | 5.1 % | 5.1 % |
| 905,000 | 685,000 | 30.2 | 52.7 | 58.7 | 107.0 | 81.3 |
| 329,420 | 333,288 | 29.5 | 28.3 | 33.9 | 39.0 | 39.6 |
| $ 1,277,315 | $ 1,061,468 | 64.3 % | 85.8 % | 97.4 % | 151.1 % | 126.0 % |
| $ (431,989) | $ (219,405) | 35.7 % | 14.2 % | 2.6 % | (51.1) % | (26.0) % |
| 1,677,472 | 1,896,877 | | | | | |
| $ 1,245,483 | $ 1,677,472 | | | | | |
| 1,501 | 1,465 | | | | | |
| 1,501 | 1,456 | | | | | |

See accompanying independent auditor's report.

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
## BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
## AUGUST 31, 2019

| | | |
|---|---|---|
| District Mailing Address | - | Harris County Municipal Utility District No. 148<br>c/o Strawn & Richardson PC<br>6750 West Loop South, Suite 865<br>Bellaire, TX 77401-4103 |
| District Telephone Number | - | (713) 864-5466 |

| **Board Members** | Term of Office (Elected or Appointed) | Fees of Office for the year ended August 31, 2019 | Expense Reimbursements for the year ended August 31, 2019 | Title |
|---|---|---|---|---|
| Calvet C. Shelley | 05/16<br>05/20<br>(Elected) | $ 7,200 | $ 11,135 | President |
| Charles Randle | 05/16<br>05/20<br>(Elected) | $ 7,200 | $ 9,477 | Vice President |
| Bobby Roberson | 05/18<br>05/22<br>(Elected) | $ 7,200 | $ 4,461 | Secretary |
| Jacqueline Y. McConnell | 05/18<br>05/22<br>(Elected) | $ 7,200 | $ 2,244 | Assistant Secretary |
| Larry D. Cannon | 05/18<br>05/22<br>(Elected) | $ 7,200 | $ 5,396 | Director |

Note: 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 developer or with any of the District's consultants.

Submission date of most recent District Registration Form: December 20, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution on July 8, 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.

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
## BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
## AUGUST 31, 2019

| Consultants: | Date Hired | Fees for the year ended August 31, 2019 | Title |
|---|---|---|---|
| Strawn & Richardson PC | 12/09/14 | $ 56,611 | General Counsel |
| | | $ 59,513 | Bond Counsel |
| McCall Gibson Swedlund Barfoot PLLC | 08/09/11 | $ 22,000 | Auditor |
| | | $ 14,000 | Bond Related |
| McLennan and Associates | 08/23/11 | $ 48,689 | Bookkeeper |
| Perdue, Brandon, Fielder, Collins & Mott, LLP | 04/09/97 | $ 8,172 | Delinquent Tax Attorney |
| Pape-Dawson Engineers, Inc. | 08/08/17 | $ 595,022 | Engineer |
| Blitch Associates, Inc. | 10/12/10 | $ 53,024 | Financial Advisor |
| WWWMS, Inc. | 09/23/08 | $ 388,494 | Operator |
| Bob Leared RTA | 04/12/94 | $ 32,121 | Tax Assessor/ Collector |

See accompanying independent auditor's report.

**APPENDIX B–Specimen Municipal Bond Insurance Policy**

ASSURED GUARANTY MUNICIPAL

# 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