

OFFICIAL STATEMENT DATED MARCH 2, 2020

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINIONS OF BOND COUNSEL AS TO THE VALIDITY OF THE BONDS AND OF SPECIAL TAX COUNSEL TO THE EFFECT THAT INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS. SEE "LEGAL MATTERS" AND "TAX MATTERS" FOR A DISCUSSION OF THE OPINIONS OF BOND COUNSEL AND SPECIAL TAX COUNSEL.

The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-exempt Obligations for Financial Institutions" herein.

NEW ISSUE - Book-Entry Only

**Ratings: S&P Global Ratings (AGM Insured) . . . "AA" (stable outlook)
S&P Global Ratings (Underlying)... "BBB+" (stable outlook)
See "BOND INSURANCE" and "RATINGS" herein**

\$5,275,000

**ROLLING CREEK UTILITY DISTRICT
(A Political Subdivision of the State of Texas, located within Harris County, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2020**

Dated: April 1, 2020

Due: September 1, as shown below

Principal of the above bonds (the "Bonds") is payable to the registered owner thereof (the "Registered Owner") at the principal payment office of the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., currently in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from April 1, 2020, and is payable on September 1, 2020 (five-month interest payment), and on each March 1 and September 1 thereafter until the earlier of maturity or prior redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof.

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

The 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. ("AGM" or the "Insurer").



**MATURITY SCHEDULE
CUSIP Prefix (a) 775641**

<u>Principal Amount</u>	<u>Maturity (Due September 1)</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>	<u>Principal Amount</u>	<u>Maturity (Due September 1)</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>
\$ 30,000	2020	4.00%	0.85%	GC1	\$595,000	2026(c)	2.00%	1.10%	FX6
20,000	2021	4.00	0.88	FS7	620,000	2027(c)	2.00	1.20	FY4
465,000	2022	4.00	0.93	FT5	635,000	2028(c)	2.00	1.30	FZ1
500,000	2023	4.00	0.98	FU2	655,000	2029(c)	2.00	1.45	GA5
525,000	2024	4.00	1.00	FV0	675,000	2030(c)	2.00	1.60	GB3
555,000	2025	2.00	1.02	FW8					

- (a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District (hereinafter defined), the Financial Advisor (defined herein), nor the Underwriter (defined herein) take any responsibility for the accuracy of CUSIP numbers.
- (b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriters. Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriters for public offerings, and which subsequently may be changed.
- (c) The Bonds maturing on and after September 1, 2026, are subject to redemption prior to maturity at the option of Rolling Creek Utility District (the "District"), as a whole or in part, on September 1, 2025, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

The proceeds of the sale of the Bonds, plus certain funds of the District that are lawfully available for such purpose, will be applied to refund certain outstanding bonds of the District and to pay certain costs incurred in connection with the issuance of the Bonds. See "PLAN OF FINANCING — Use of Bond Proceeds." The Bonds, when issued, constitute valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS – Source of Payment."

Neither the State of Texas; the City of Houston, Texas; Harris County, Texas; nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas; the City of Houston, Texas; Harris County, Texas; or any political subdivision other than the District, is pledged to the payment of the principal of and interest on the Bonds. The Bonds are subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the Underwriters, subject among other things to the approval of the Attorney General of Texas; Coats, Rose P.C., Houston, Texas, Bond Counsel; and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., Houston, Texas. Delivery of the Bonds is expected on or about April 29, 2020.

SAMCO CAPITAL MARKETS

RBC CAPITAL MARKETS

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, resolutions, contracts, audits, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor.

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

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

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

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

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 C - SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY."

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

SAMCO Capital Markets, Inc. and RBC Capital Markets LLC (“RBC”) (together referred to herein as the “Underwriter” or the “Underwriters”) have agreed, pursuant to a Bond Purchase Agreement, to purchase the Bonds from the District for \$5,521,193.65 (an amount equal to the principal amount of the Bonds, less an Underwriters’ discount of \$40,564.75, plus an original issue premium on the Bonds of \$268,758.40), plus accrued interest on the Bonds to the date of delivery. The Underwriters 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 cover page hereof. The initial offering price may be changed from time to time by the Underwriters.

RBC has provided the following information for inclusion in this Official Statement: RBC and its respective affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBC and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBC and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the District. RBC and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District. RBC and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

Marketability

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

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”) 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 C” 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 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 S&P may take.

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

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 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 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 consolidated net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference

Portions of the following 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:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (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."

BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments.

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

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

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

Neither the District or Underwriters has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

RATINGS

S&P Global Ratings ("S&P") is a business unit of Standard & Poor's Financial Services LLC. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest ratings).

The Bonds are expected to receive an insured rating of "AA" (stable outlook) from S&P based upon the issuance of the Policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by S&P is "BBB+" (stable outlook).

An explanation of the significance of the foregoing ratings may only be obtained from S&P. The foregoing ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P, if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any ratings assigned the Bonds other than the ratings of S&P.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement.

THE BONDS

The Issuer	Rolling Creek Utility District (the “District”), a political subdivision of the State of Texas, is located in Harris County, Texas. See “THE DISTRICT.”
The Issue	Rolling Creek Utility District Unlimited Tax Refunding Bonds, Series 2020, in the aggregate principal amount of \$5,275,000. Interest accrues from April 1, 2020, and is payable on September 1, 2020 (five-month interest payment), and on each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. The Bonds mature on September 1 in each of the years and in the principal amounts indicated on the cover page of this Official Statement. The Bonds maturing on and after September 1, 2026, are subject to redemption, in whole or from time to time in part, on September 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See “THE BONDS - General.” The Bonds will be issued pursuant to a Bond Resolution (the “Bond Resolution”) adopted by the Board of Directors of the District. The Bonds are being issued under the authority of Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207, Texas Government Code, as amended.
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).
Source of Payment	The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “THE BONDS -Source of Payment.”
Use of Bond Proceeds	Proceeds of the sale of the Bonds, together with certain other funds of the District that are lawfully available for such purpose, will be applied to refund \$1,910,000 of the District's Unlimited Tax Refunding Bonds, Series 2010 (the “Series 2010 Refunding Bonds”) and \$3,335,000 of the District's Unlimited Tax Refunding Bonds, Series 2012 (the “Series 2012 Refunding Bonds”) in the aggregate principal amount of \$5,245,000 (collectively, the “Refunded Bonds”) and to pay costs of issuance for the Bonds. The Bonds are being issued to reduce the District's debt service payments and result in present value savings in the District's debt service. See “DISTRICT DEBT - Debt Service Requirement Schedule.”

Payment Record	In addition to the Series 2010 Refunding Bonds and Series 2012 Refunding Bonds, the District has previously issued Unlimited Tax Bonds, Series 1985 (the “Series 1985 Bonds”), Unlimited Tax Bonds, Series 2002 (the “Series 2002 Bonds”), Unlimited Tax Bonds, Series 2006 (the “Series 2006 Bonds”), Unlimited Tax Bonds, Series 2014 (the “Series 2014 Bonds”) and Unlimited Tax Bonds, Series 2019 (the “Series 2019 Bonds”) to finance the acquisition or construction of components of the System (hereinafter defined). The District also has issued Unlimited Tax Refunding Bonds, Series 1998 (the “Series 1998 Refunding Bonds”), the Series 2010 Refunding Bonds, Series 2012 Refunding Bonds and Unlimited Tax Refunding Bonds, Series 2015 (the “Series 2015 Refunding Bonds”) to refund outstanding bonds of the District. Collective reference is made in this Official Statement to all of such bonds previously issued by the District as the “Prior Bonds.” The District has never defaulted in the timely payment of principal of and interest on the Prior Bonds. Before the issuance of the Bonds, the principal amount of the Prior Bonds that had not been retired by the District is \$17,350,000 (the “Outstanding Bonds”). After issuance of the Bonds and the refunding of the Refunded Bonds, the aggregate principal amount of the Outstanding Bonds, less the principal amounts thereof previously retired by the District, and less the Refunded Bonds, will be \$12,105,000 (the “Remaining Outstanding Bonds”), and the aggregate principal amount of the District’s bonded indebtedness, including the Bonds, will be \$17,380,000. See “DISTRICT DEBT - Debt Service Requirements.” In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds, the District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future, including its approximately \$3,230,000 Unlimited Tax Bonds, Series 2020A, which the District expects to issue in approximately the fourth quarter of 2020. See “THE BONDS - Issuance of Additional Debt,” “THE SYSTEM - Description,” and “INVESTMENT CONSIDERATIONS - Future Debt.”
Authorized But Unissued Bonds	\$38,533,841.60 bonds for waterworks, wastewater and drainage facilities and for refunding purposes will remain authorized but unissued after issuance of the Bonds. See “THE BONDS - Authority for Issuance” and “Issuance of Additional Debt.”
Municipal Bond Insurance	Assured Guaranty Municipal Corp. (“AGM”). See “BOND INSURANCE.”
Municipal Bond Ratings	S&P Global Ratings (AGM insured) “AA” (stable outlook). S&P Global Ratings (Underlying Rating).....“BBB+” (stable outlook). See “BOND INSURANCE,” “BOND INSURANCE RISK FACTORS” and “RATINGS.”
Qualified Tax-Exempt Obligations	The District will designate the Bonds as “qualified tax-exempt obligations” pursuant to Section 265 (b) of the Internal Revenue Code of 1986. See “QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS.”

Legal and Tax Opinions Coats, Rose P.C., Houston, Texas, Bond Counsel; and McCall Parkhurst & Horton, L.L.P., Dallas, Texas, Special Tax Counsel. See “LEGAL MATTERS” and “TAX EXEMPTION.”

Verification Agent Robert Thomas CPA, LLC, Certified Public Accountants. See “VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS.”

THE DISTRICT

Description Rolling Creek Utility District, a political subdivision of the State of Texas, was created by an Act of the 62nd Legislature of the State of Texas, Regular Session, 1971. The District contains approximately 552.14 acres of land. The District is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas, approximately 21 miles northwest of the central business district of Houston. The largest portion of the District is bounded on the north by Old Greenhouse Road, on the west by Greenhouse Road, on the east by Bear Creek and on the south by Clay Road. The District also contains tracts at the southeast corner of Greenhouse Road and Clay Road and at the southeast and southwest corners of Barker-Cypress Road and Clay Road. The District is located entirely within Harris County, Texas. 474 acres within the District are located within Cypress-Fairbanks Independent School District and 77 acres within the District are located within Katy Independent School District. See “THE DISTRICT - Description” and “APPENDIX A - LOCATION MAP.”

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

Development of the District The development of approximately 416.41 of the approximately 552.14 acres of land in the District has been completed. As of January 1, 2020, the District contained 1,336 homes, including 27 homes under construction, 28 lots currently under development, and 97 vacant fully developed single-family residential lots that are available for home construction. See “BUILDERS.” Taxable commercial improvements which have been completed on unrestricted reserves located in the District consist of a gasoline service station and convenience store, a Kwik Kar Lube, a Wells Fargo Bank, a shopping center, a Quick Cleaners, a McDonald’s restaurant, a 450-unit storage facility and a 156-pod luxury recreational vehicle storage facility. According to the District’s Engineer, the development of (i) 1,433 single-family residential lots (approximately 375.01 acres) plus (ii) certain unrestricted reserves (approximately 41.40 acres) used and expected to be used for commercial and/or multi-family residential purposes has been completed on approximately 416.41 of the District’s approximately 552.14 acres as is described below. Approximately 109.72 of such

acres have been developed as the Rolling Creek, Section 1 subdivision which contains 496 fully developed single-family residential lots. On November 15, 1996, Bene Vista Venture (see "Developers" below), acquired Rolling Creek, Section 1 plus approximately 346.29 undeveloped acres located within the District. Bene Vista Venture has developed 632 single-family residential lots contained within the Rolling Creek, Section 1 Replat and Grand Oaks, Sections 1 through 4, 10 and 11 (approximately 177.64 acres). Bene Vista owns approximately 9.25 acres of currently undeveloped land located within the District, all of which are expected to be developed for future commercial purposes, although no specific plan for development of such acres has been reported to the District.

Bene Vista sold approximately 49.81 acres located within the District to BGM Land Investments, Ltd. ("BGM") and approximately 53.85 acres located within the District to a related party, Woodmere Development Co., Ltd. ("Woodmere"). Woodmere has developed 225 single-family residential lots located in the subdivisions that have been platted as Grand Oaks, Sections 5 through 8 (a total of approximately 56.24 acres), and is currently developing Grand Oaks, Section 9 (28 lots on approximately 7.34 acres) in the District as is delineated in the chart that appears in this Official Statement under that caption "DEVELOPMENT OF THE DISTRICT - Residential Units." Long Lake, Ltd. ("Long Lake"), doing business as Lakewood Homes and Briarwood Homes, has constructed and is constructing homes on lots purchased from Woodmere in Grand Oaks as is described below under the caption "Builders." Woodmere owns approximately 5.5 acres of currently undeveloped land located within the District all of which are expected to be developed into future single-family residential lots. BGM owns approximately 68.0 acres of currently undeveloped land located within the District, all of which are expected to be developed into future single-family residential lots. It is currently expected that Woodmere will purchase land from BGM on an as-need basis with the intention of developing such land into single-family residential lots as development of the District progresses, although Woodmere has no obligation to the District to do so.

Approximately 31.41 District acres have been developed by a former developer as Amesbury Park, Section 1, which contains 79 fully developed single-family residential lots. Approximately 41.4 acres described above have been developed as unrestricted reserves used and expected to be used for commercial and/or multi-family residential purposes for which perimeter trunk water distribution, wastewater collection and storm drainage facilities and street paving have been completed.

There are approximately 88.6 acres of land located within the District available for future development which are currently undeveloped. Approximately 9.25 of such undeveloped acres are owned by Bene Vista and approximately 5.8 of such undeveloped acres are owned by Prima Terra LLC, neither of which has reported any definitive development plan for any of such acreage to the District. Approximately 68.0 of such undeveloped acres are owned by BGM and approximately 5.5 of such undeveloped acres are owned by

Woodmere, all of which is expected to be developed as future single-family residential lots. Since no party, including Bene Vista, Prima Terra LLC, BGM or Woodmere, has any obligation to the District to develop any of such currently undeveloped acres according to any development plan, schedule or at all, the District cannot represent when, or whether, any of such currently undeveloped acres might be developed. The balance of the land located within the District is contained within District facilities sites, major thoroughfare rights of way, drainage easements, is dedicated for park or recreational usage, or is otherwise not available for development. See “FUTURE DEVELOPMENT,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS.”

In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance the acquisition or construction of additional components of the System, and other items, with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future, including its approximately \$3,230,000 Unlimited Tax Bonds, Series 2020A, which the District expects to issue in approximately the fourth quarter of 2020. See “INVESTMENT CONSIDERATIONS - Future Debt” and “THE SYSTEM.”

Developers

Bene Vista Venture, a California limited partnership (“Bene Vista”) has developed the 632 single-family residential lots located in Rolling Creek, Section 1 Replat and Grand Oaks, Sections 1 through 4, 10 and 11 (approximately 177.64 acres). Bene Vista sold approximately 49.81 undeveloped acres located within the District to BGM (as defined below) and 53.85 undeveloped acres located within the District to Woodmere (as defined below). Bene Vista owns approximately 9.25 acres of currently undeveloped land located in the District.

Woodmere Development Co., Ltd., a Texas limited partnership (“Woodmere”) has developed the 225 single-family residential lots located in Grand Oaks, Sections 5 through 8 (approximately 56.24 acres) and is currently developing Grand Oaks, Section 9 (28 lots on approximately 7.34 acres) in the District. The general partner of Woodmere is Woodmere GP, L.L.C., a Texas limited liability company. Woodmere owns approximately 5.5 acres of currently undeveloped land located within the District, all of which it expects to develop as future single-family residential lots. BGM Land Investments, Ltd. (“BGM”), a Texas limited partnership, the general partner of which is G.P. Landvest L.L.C., a party that is related to Woodmere, owns approximately 68.0 acres of currently undeveloped land located within the District, all which are expected to be developed as future single-family residential lots. It is currently expected that Woodmere will purchase land from BGM on an as-needed basis with the intention of developing such land into single-family residential lots as development of the District progresses,

although Woodmere has no obligation to the District to do so. After developing the land, Woodmere sells the developed lots on an as-needed basis to a related party, Long Lake, Ltd. ("Long Lake"), a Texas limited partnership that is doing business in the District as Lakewood Homes and Briarwood Homes, which has constructed and is constructing homes within the District as is described in the chart that appears in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT - Residential Units" and under the caption "BUILDERS." Woodmere, BGM and Long Lake are all under common management and common ownership and, through one or more of such entities, have been in the land development business since 1997.

Bene Vista and Woodmere are collectively referred to herein as the "Developers."

Builders

Lakewood Homes and Briarwood Homes are currently building homes in Grand Oaks. Such home building companies are referred to herein as the "Builders."

Homes which are currently being constructed in Grand Oaks located within the District by Lakewood Homes and Briarwood Homes range in size from approximately 2,046 square feet to 4,036 square feet of living area and sales price from approximately \$229,990 to \$311,990.

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION
(Unaudited)

2019 Assessed Valuation		\$306,347,469(a)
(As of January 1, 2019)		
See "TAX DATA" and "TAXING PROCEDURES."		
Direct Debt: Remaining Outstanding Bonds		\$ 12,105,000
The Bonds		<u>5,275,000</u>
Total		\$ 17,380,000(b)
Estimated Overlapping Debt		<u>\$ 17,577,800</u>
Direct and Estimated Overlapping Debt		<u>\$ 34,957,800</u>
Ratio of Direct Debt:		
: as a percentage of 2019 Assessed Valuation		5.67%
Ratio of Direct and Estimated Overlapping Debt:		
: as a percentage of 2019 Assessed Valuation		11.41%
Debt Service Fund Balance Estimated as of Delivery of the Bonds		\$ 2,723,589(c)
General Fund Balance as of February 5, 2020		\$ 3,406,465
Average Percentage of Total Tax Collections 2009-2018		99.83%
As of January 31, 2020		
Percentage of Tax Collections 2018 Tax Levy		
As of January 31, 2020. In process of collection..		95.63%
2019 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax	\$0.45	
Maintenance Tax	<u>0.25</u>	
Total		\$0.70(d)
Average Annual Debt Service Requirements of the Bonds and the		
Remaining Outstanding Bonds (2020-2039)		\$ 1,210,952(d)
Maximum Annual Debt Service Requirement of the Bonds and the		
Remaining Outstanding Bonds (2030)		\$ 1,284,919(d)
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual		
Debt Service Requirements of the Bonds and the Remaining Outstanding Bonds		
(2020-2039) at 95% Tax Collections		
Based Upon 2019 Assessed Valuation		\$0.42(d)
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual		
Debt Service Requirement of the Bonds and the Remaining Outstanding		
Bonds (2030) at 95% Tax Collections		
Based Upon 2019 Assessed Valuation		\$0.45(d)

Number of Single-Family Homes (including 27 homes under construction)
as of January 1, 2020

1,336

Taxable Commercial Improvements Located within the District:

Completed:

- Gasoline Service Station and Convenience Store
- Kwik Kar Lube
- Wells Fargo Bank
- Shopping Center
- Quick Cleaners
- 450-Unit Storage Facility
- 156-Pod Luxury Recreational Vehicle Storage Facility
- McDonald's Restaurant

- (a) As of January 1, 2019. All property located in the District is valued on the appraisal rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of taxable value as of January 1 of each year. The District's appraisal roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."
- (b) See "THE BONDS - Issuance of Additional Debt" and "DISTRICT DEBT." In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds, the District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future, including its approximately \$3,230,000 Unlimited Tax Bonds, Series 2020A, which the District expects to issue in approximately the fourth quarter of 2020. See "THE BONDS - Issuance of Additional Debt," "THE SYSTEM - Description," and "INVESTMENT CONSIDERATIONS - Future Debt."
- (c) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. Such sum gives effect to the contribution of \$13,000 of District funds lawfully available for such purpose to the refunding of the Refunded Bonds, and the timely payment by the District of the debt service requirements on the Outstanding Bonds that were due on March 1, 2020. The District's remaining debt service requirements for 2020, which are due September 1, 2020, total \$919,541 and consist of principal and interest on the Remaining Outstanding Bonds and a principal payment of \$30,000, plus a five-month interest payment on the Bonds.
- (d) The District has levied a debt service tax rate for 2019 of \$0.45 per \$100 of Assessed Valuation and a maintenance tax of \$0.25 per \$100 of Assessed Valuation. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2019 tax levies of all units of government which levy taxes against the property located within the District, including the District's total tax rate of \$0.70 per \$100 of Assessed Valuation, is \$2.8543 per \$100 of Assessed Valuation as to that portion of the District (approximately 474 acres) that lies within the Cypress-Fairbanks Independent School District, and \$2.8448 per \$100 of Assessed Valuation as to the approximately 77 acres (including Amesbury Park) that lies within the Katy Independent School District. Such aggregate levies are higher than the aggregate of the tax levies of some municipal utility districts located within the Houston metropolitan area, although they are within the range of the tax rates being levied by municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. One must consider 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 tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected. See "TAX DATA" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

OFFICIAL STATEMENT
\$5,275,000
ROLLING CREEK UTILITY DISTRICT
UNLIMITED TAX REFUNDING BONDS
SERIES 2020

THE BONDS

General

This Official Statement provides certain information with respect to the issuance by Rolling Creek Utility District (the “District”) of its \$5,275,000 Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”).

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the resolution (the “Bond Resolution”) of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds. A copy of the Bond Resolution may be obtained from the District upon written request made to the District’s Financial Advisor, Rathmann & Associates, L.P., 8584 Katy Freeway, Suite 250, Houston, Texas 77024.

The Bonds are dated and accrue interest from April 1, 2020, with interest payable on September 1, 2020 (five-month interest payment), and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds are fully-registered bonds maturing on September 1 in each of the years shown under “MATURITY SCHEDULE” on the cover page of this Official Statement. Principal of the Bonds will be payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas, or any successor paying agent/registrar (the “Paying Agent,” “Registrar” or the “Paying Agent/Registrar”). Interest on the Bonds is based on a 360-day year of twelve 30-day months. The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described below under “Book-Entry-Only System.”

Book-Entry-Only System

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a 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 Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed

by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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 Resolution will be given only to DTC.

Record Date

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

Assignments, Transfers and Exchanges

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

Redemption Provisions

The Bonds maturing on and after September 1, 2026, are subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given by the Registrar at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the particular Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If less than all of the Bonds within a maturity are to be redeemed, the Registrar shall designate by method of random selection the Bonds within such maturity to be redeemed (or DTC shall designate in accordance with its procedures while the Bonds are in book-entry-only form). The Bondholder of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of an exchange Bond in a principal amount equal to the portion of the Bond not so redeemed.

Replacement of Registrar

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

Authority for Issuance

On April 7, 1984, the District authorized \$25,000,000 in construction bonds. In 1985, the District issued the Series 1985 Bonds (hereinafter defined) pursuant to such authorization. On January 17, 1998, the District authorized \$25,000,000 in construction or refunding bonds, replacing the authorized but unissued bonds from such April 7, 1984 authorization. On November 3, 2015, the District authorized \$35,530,000 in additional construction bonds. The total principal amount of bonds authorized by the District is \$64,605,000. The Bonds constitute the tenth installment of \$25,000,000 in bonds for waterworks, sanitary sewer and drainage facilities and for refunding such bonds authorized at the election held within the District on January 17, 1998. Following the issuance of the Bonds, an aggregate of \$38,533,841.60 principal amount of bonds will remain authorized but unissued for waterworks, sanitary sewer and drainage facilities and for refunding purposes. See "Issuance of Additional Debt" below.

The Bonds are issued pursuant to the Bond Resolution, Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207, Texas Government Code, as amended.

Source of Payment

The Remaining Outstanding Bonds (hereinafter defined) and the Bonds (together with any additional tax bonds as may hereafter be issued by the District) are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees and Appraisal District fees. Tax proceeds, after deduction for collection costs, will be placed in the debt service fund and used solely to pay principal of and interest on the Remaining Outstanding Bonds and the Bonds, and on additional bonds payable from taxes which may be issued, and Registrar fees.

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

Issuance of Additional Debt

The District has reserved the right in the Bond Resolution to issue additional bonds. Following the issuance of the Bonds, the District will have the right to issue \$38,533,841.60 in bonds for waterworks, wastewater, and drainage facilities, and for refunding purposes, as approved by the District's voters at the elections held on January 17, 1998, and November 3, 2015.

The District has the right to issue the aforementioned bonds without the necessity of further voter authorization. Except for such refunding bonds, before issuing any additional bonds for waterworks, sanitary sewer, and drainage facilities, the District would have to obtain approval of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission") for the issuance of such bonds and the projects to be financed thereby. Since the District has not financed all components of the System which it currently expects to finance, the District anticipates issuing additional bonds for such purposes as future development in the District necessitates. In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds, the District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future, including its approximately \$3,230,000 Unlimited Tax Bonds, Series 2020A, which the District expects to issue in approximately the fourth quarter of 2020. See "THE SYSTEM - Description" and "INVESTMENT CONSIDERATIONS - Future Debt." Based on present engineering cost estimates, in the opinion of the District's consulting engineer, LJA Engineering, Inc. (the "Engineer"), the aforementioned \$38,533,841.60 authorized but unissued bonds for waterworks, wastewater, and drainage facilities will be adequate to finance the extension of waterworks, wastewater and drainage facilities to serve all of the remaining undeveloped portions of the District.

The District has the right to issue such additional tax bonds, revenue bonds, or combination tax and revenue bonds as may be hereafter approved by the voters of the District. The District also has the right to issue revenue notes, bond anticipation notes and tax anticipation notes without the necessity of voter approval. In addition, the District has the right to enter into contracts and to pledge its taxing power to secure any payments the District is required to make under such a contract, provided the provisions of the contract are approved by the voters of the District. The District further has the right to issue refunding bonds, in addition to the refunding bonds described above, with additional voter approval. The Bond Resolution places no limitation on the amount of additional bonds which may be issued by the District.

The District also is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park project and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

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

No Arbitrage

The District will certify that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In

particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

Annexation and Consolidation

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

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

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

Registered Owners' Remedies

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

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. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence

of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. 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. Certain traditional legal remedies also may not be available. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See "Bankruptcy Limitation to Registered Owners' Rights" below and "INVESTMENT CONSIDERATIONS - Registered Owners' Remedies and Bankruptcy."

Bankruptcy Limitation to Registered Owners' Rights

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

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

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

PLAN OF FINANCING

Use of Bond Proceeds

Proceeds of the sale of the Bonds, together with certain other funds of the District that are lawfully available for such purpose, will be applied to refund \$1,910,000 of the District's Unlimited Tax Refunding Bonds, Series 2010 (the "Series 2010 Refunding Bonds") and \$3,335,000 of the District's Unlimited Tax Refunding Bonds, Series 2012 (the "Series 2012 Refunding Bonds") in the aggregate principal amount of \$5,245,000 (collectively, the "Refunded Bonds") and to pay costs of issuance for the Bonds. The Bonds are being issued to reduce the District's debt service payments and result in present value savings in the District's debt service. See "DISTRICT DEBT - Debt Service Requirement Schedule."

Refunded Bonds

The principal amounts and maturity dates (or mandatory redemption amounts and dates, as applicable) of the Refunded Bonds are set forth below.

<u>Dates</u>	Series 2010 Refunding Bonds <u>Maturities</u>	Series 2012 Refunding Bonds <u>Maturities</u>
2022	\$ 445,000	
2023	465,000	\$ 15,000
2024	485,000	15,000
2025	515,000	20,000
2026		590,000
2027		625,000
2028		655,000
2029		690,000
2030	<u> </u>	<u>725,000</u>
	\$1,910,000	\$3,335,000
Redemption Date:	4/30/2020	4/30/2020
Aggregate Principal Amount of Refunded Bonds		\$5,245,000

Payment of Refunded Bonds

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

The Bond Resolution provides that from the proceeds of the sale of the Bonds and other available funds of the District, the District will deposit with the Paying Agent for the Refunded Bonds the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Paying Agent for the Refunded Bonds in a segregated payment account (the "Payment Account"). At the time of delivery of the Bonds, Robert Thomas CPA, LLC, will verify to the District, the Paying Agent for the Refunded Bonds and the Financial Advisor that the monies held in the Payment Account are sufficient to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS." By the deposit of the cash with the Paying Agent for the Refunded Bonds and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolution of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of amounts so deposited, and the amounts so deposited in the Payment Account will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

The Non-Refunded Bonds (Remaining Outstanding Bonds)

In addition to the Series 2010 Refunding Bonds and Series 2012 Refunding Bonds, the District has previously issued Unlimited Tax Bonds, Series 1985 (the “Series 1985 Bonds”), Unlimited Tax Bonds, Series 2002 (the “Series 2002 Bonds”), Unlimited Tax Bonds, Series 2006 (the “Series 2006 Bonds”), Unlimited Tax Bonds, Series 2014 (the “Series 2014 Bonds”) and Unlimited Tax Bonds, Series 2019 (the “Series 2019 Bonds”) to finance the acquisition or construction of components of the System (hereinafter defined). The District also has issued Unlimited Tax Refunding Bonds, Series 1998 (the “Series 1998 Refunding Bonds”), the Series 2010 Refunding Bonds, Series 2012 Refunding Bonds and Unlimited Tax Refunding Bonds, Series 2015 (the “Series 2015 Refunding Bonds”) to refund outstanding bonds of the District. Collective reference is made in this Official Statement to all of such bonds previously issued by the District as the “Prior Bonds.” The District has never defaulted in the timely payment of principal of and interest on the Prior Bonds. Before the issuance of the Bonds, the principal amount of the Prior Bonds that had not been retired by the District is \$17,350,000 (the “Outstanding Bonds”). After issuance of the Bonds and the refunding of the Refunded Bonds, the aggregate principal amount of the Outstanding Bonds, less the principal amounts thereof previously retired by the District, and less the Refunded Bonds, will be \$12,105,000 (the “Remaining Outstanding Bonds”), and the aggregate principal amount of the District’s bonded indebtedness, including the Bonds, will be \$17,380,000. See “DISTRICT DEBT - Debt Service Requirement Schedule.” In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds, the District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future, including its approximately \$3,230,000 Unlimited Tax Bonds, Series 2020A, which the District expects to issue in approximately the fourth quarter of 2020. See “THE BONDS - Issuance of Additional Debt,” “THE SYSTEM - Description,” and “INVESTMENT CONSIDERATIONS - Future Debt.”

The principal amounts and maturity dates (or mandatory redemption amounts and dates, as applicable) of the Remaining Outstanding Bonds are as follows:

Date	Series 2010 Refunding Bonds	Series 2012 Refunding Bonds	Series 2014 Bonds	Series 2015 Refunding Bonds	Series 2019 Bonds
9/1/2020	\$400,000	\$15,000	\$25,000	\$150,000	
9/1/2021	415,000	15,000	50,000	155,000	
9/1/2022		15,000	50,000	150,000	
9/1/2023			50,000	160,000	
9/1/2024			50,000	160,000	
9/1/2025			50,000	160,000	
9/1/2026			50,000	160,000	
9/1/2027			75,000	160,000	
9/1/2028			75,000	170,000	
9/1/2029			75,000	170,000	
9/1/2030			75,000	180,000	
9/1/2031			725,000		\$95,000
9/1/2032			750,000		105,000
9/1/2033			775,000		120,000
9/1/2034					935,000
9/1/2035					975,000
9/1/2036					1,020,000
9/1/2037					1,065,000
9/1/2038					1,115,000
9/1/2039					1,165,000
	<u>\$815,000</u>	<u>\$45,000</u>	<u>\$2,875,000</u>	<u>\$1,775,000</u>	<u>\$6,595,000</u>
Aggregate Principal Amount of Remaining Outstanding Bonds					\$12,105,000

Sources and Use of Funds

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

SOURCES OF FUNDS:

Principal Amount of Bonds	\$5,275,000.00
District Contribution	13,000.00
Plus: Accrued Interest	10,601.11
Plus: Original Issue Premium	<u>286,758.40</u>
Total Sources of Funds	\$5,585,359.51

USES OF FUNDS:

Deposit with Paying Agent for Refunded Bonds	\$5,280,170.55
Deposit Accrued Interest to Debt Service Fund	10,601.11
Expenses:	
Underwriter Discount	40,564.75
Municipal Bond Insurance Premium and Other Issuance Expenses	<u>254,023.10</u>
Total Use of Funds	\$5,585,359.51

THE DISTRICT

Authority

Rolling Creek Utility District, a political subdivision of the State of Texas, was created by an Act of the 62nd Legislature of the State of Texas, Regular Session, 1971. The District was created pursuant to the authority of Chapter 54, Texas Water Code, and Article XVI, Section 59 of the Texas Constitution. 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, particularly Chapters 49 and 54, Texas Water Code, as amended. The principal functions of the District are to finance, construct, own, and operate waterworks, wastewater, and drainage facilities and to provide such facilities and services to the customers of the District. The District, if approved by the voters within the District, the TCEQ, and other governmental entities having jurisdiction, may establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. Under certain circumstances the District also is authorized to construct, develop and maintain park and recreational facilities and to construct roads. The District is subject to the continuing supervision of the TCEQ in certain matters.

Description

The District contains approximately 552.14 acres of land. The District is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas, approximately 21 miles northwest of the central business district of Houston. The largest portion of the District is bounded on the north by Old Greenhouse Road, on the west by Greenhouse Road, on the east by Bear Creek and on the south by Clay Road. The District also contains tracts at the southeast corner of Greenhouse Road and Clay Road and at the southeast and southwest corners of Barker-Cypress Road and Clay Road. The District is located entirely within Harris County, Texas. 474 acres within the District are located within Cypress-Fairbanks Independent School District and 77 acres within the District are located within Katy Independent School District. See "APPENDIX A - LOCATION MAP."

Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in odd numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. Director Deaton currently resides within the District. The other four Directors own separate parcels of land subject to separate non-recourse promissory notes secured by deeds of trust in favor of a developer of land in the District.

<u>Name</u>	<u>Title</u>	<u>Term Expires May</u>
Brian A. Gardner	President	2021
Adrian M. Shapiro	Vice President	2023
Gary Brown	Secretary/Treasurer	2023
Kenneth B. Levenson	Assistant Secretary	2021
Clay Deaton	Assistant Secretary/ Assistant Vice President	2021

The District does not have a general manager, but has contracted for services, or employs directly, as follows:

Bookkeeper - The District's bookkeeper is Myrtle Cruz, Inc., which acts as bookkeeper for approximately 350 utility districts.

Tax Assessor/Collector - The District has engaged Bob Leared Interests, Houston, Texas, as the District's Tax Assessor/Collector. According to Bob Leared Interests, it presently serves approximately 150 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Harris County Appraisal District and bills and collects such levy.

Consulting Engineers - The District has engaged LJA Engineering, Inc., Houston, Texas, as Consulting Engineer on a contract basis to provide engineering services to the District.

Auditor - The District has engaged Mark C. Eyring, CPA, PLLC, to audit its financial statements for the year ending July 31, 2019. A copy of the District's audit for the fiscal year ended July 31, 2019, is included as "APPENDIX B" to this Official Statement.

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

Attorney - The District has engaged Coats Rose, P.C., Houston, Texas as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

DEVELOPMENT OF THE DISTRICT

The development of approximately 416.41 of the approximately 552.14 acres of land in the District has been completed. As of January 1, 2020, the District contained 1,336 homes, including 27 homes under construction, 28 lots currently under development, and 97 vacant fully developed single-family residential lots that are available for home construction. See “BUILDERS.” Taxable commercial improvements which have been completed on unrestricted reserves located in the District consist of a gasoline service station and convenience store, a Kwik Kar Lube, a Wells Fargo Bank, a shopping center, a Quick Cleaners, a McDonald’s restaurant, a 450-unit storage facility and a 156-pod luxury recreational vehicle storage facility. According to the District’s Engineer, the development of (i) 1,433 single-family residential lots (approximately 375.01 acres) plus (ii) certain unrestricted reserves (approximately 41.40 acres) used and expected to be used for commercial and/or multi-family residential purposes has been completed on approximately 416.41 of the District’s approximately 552.14 acres as is described below. Approximately 109.72 of such acres have been developed as the Rolling Creek, Section 1 subdivision which contains 496 fully developed single-family residential lots. On November 15, 1996, Bene Vista Venture (see “DEVELOPERS” below), acquired Rolling Creek, Section 1 plus approximately 346.29 undeveloped acres located within the District. Bene Vista Venture has developed 632 single-family residential lots contained within the Rolling Creek, Section 1 Replat and Grand Oaks, Sections 1 through 4, 10 and 11 (approximately 177.64 acres). Bene Vista owns approximately 9.25 acres of currently undeveloped land located within the District, all of which are expected to be developed for future commercial purposes, although no specific plan for development of such acres has been reported to the District.

Bene Vista sold approximately 49.81 acres located within the District to BGM Land Investments, Ltd. (“BGM”) and approximately 53.85 acres located within the District to a related party, Woodmere Development Co., Ltd. (“Woodmere”). Woodmere has developed 225 single-family residential lots located in the subdivisions that have been platted as Grand Oaks, Sections 5 through 8 (a total of approximately 56.24 acres), and is currently developing Grand Oaks, Section 9 (28 lots on approximately 7.34 acres) in the District as is delineated in the chart that appears below. Long Lake, Ltd. (“Long Lake”), doing business as Lakewood Homes and Briarwood Homes, has constructed and is constructing homes on lots purchased from Woodmere in Grand Oaks as is described below under the caption “BUILDERS.” Woodmere owns approximately 5.5 acres of currently undeveloped land located within the District all of which are expected to be developed into future single-family residential lots. BGM owns approximately 68.0 acres of currently undeveloped land located within the District, all of which are expected to be developed into future single-family residential lots. It is currently expected that Woodmere will purchase land from BGM on an as-need basis with the intention of developing such land into single-family residential lots as development of the District progresses, although Woodmere has no obligation to the District to do so.

Approximately 31.41 District acres have been developed by a former developer as Amesbury Park, Section 1, which contains 79 fully developed single-family residential lots. Approximately 41.4 acres described above have been developed as unrestricted reserves used and expected to be used for commercial and/or multi-family residential purposes for which perimeter trunk water distribution, wastewater collection and storm drainage facilities and street paving have been completed.

There are approximately 88.6 acres of land located within the District available for future development which are currently undeveloped. Approximately 9.25 of such undeveloped acres are owned by Bene Vista and approximately 5.8 of such undeveloped acres are owned by Prima Terra LLC, neither of which has reported any definitive development plan for any of such acreage to the District. Approximately 68.0 of such undeveloped acres are owned by BGM and approximately 5.5 of such undeveloped acres are owned by Woodmere, all of which is expected to be developed as future single-family residential lots. Since no party, including Bene Vista, Prima Terra LLC, BGM or Woodmere, has any obligation to the District to develop any of such currently undeveloped acres according to any development plan, schedule or at all, the District cannot represent when, or whether, any of such currently undeveloped acres might be developed. The balance of the land located within the District is contained within District facilities sites, major thoroughfare rights of way, drainage easements, is dedicated for park or recreational usage, or is otherwise not available for development. See “FUTURE DEVELOPMENT,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS.”

In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance the acquisition or construction of additional components of the System, and other items, with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future, including its approximately \$3,230,000 Unlimited Tax Bonds, Series 2020A, which the District expects to issue in approximately the fourth quarter of 2020. See “INVESTMENT CONSIDERATIONS - Future Debt” and “THE SYSTEM.”

As of January 1, 2020, the status of residential development and home construction in the District was as follows:

Residential Units

Subdivision	Lots				Homes				Models	Totals
	Fully Developed	Acres	Under Development	Acres	Under Construction		Completed			
					Sold *	Unsold	Sold *	Unsold		
Rolling Creek										
Section 1	496	109.72			0	0	496	0	0	496
Section 1 Replat	18	7.93			0	0	18	0	0	18
Amesbury Park	79	31.41			0	0	79	0	0	79
Grand Oaks										
Section 1	128	41.20			0	0	128	0	0	128
Section 2	60	19.54			0	0	57	0	0	57
Section 3	196	47.53			0	0	196	0	0	196
Section 4	115	30.62			0	0	115	0	0	115
Section 5	50	11.19			1	3	45	1	0	50
Section 6	56	16.98			0	2	52	1	0	55
Section 7	53	13.70			7	0	2	1	0	10
Section 8	66	14.37			13	1	6	0	0	20
Section 9			28	7.34						
Section 10	63	18.39			0	0	58	0	1	59
Section 11	<u>53</u>	<u>12.43</u>	<u>—</u>	<u>—</u>	<u>0</u>	<u>0</u>	<u>53</u>	<u>0</u>	<u>0</u>	<u>53</u>
Total	1,433	375.01	28	7.34	21	6	1,305	3	1	1,336

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

DEVELOPERS

General

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

Description of the Developers

Bene Vista Venture, a California limited partnership (“Bene Vista”) has developed the 632 single-family residential lots located in Rolling Creek, Section 1 Replat and Grand Oaks, Sections 1 through 4, 10 and 11 (approximately 177.64 acres). Bene Vista sold approximately 49.81 undeveloped acres located within the District to BGM (as defined below) and 53.85 undeveloped acres located within the District to Woodmere (as defined below). Bene Vista owns approximately 9.25 acres of currently undeveloped land located in the District.

Woodmere Development Co., Ltd., a Texas limited partnership (“Woodmere”) has developed the 225 single-family residential lots located in Grand Oaks, Sections 5 through 8 (approximately 56.24 acres) and is currently developing Grand Oaks, Section 9 (28 lots on approximately 7.34 acres) in the District. The general partner of Woodmere is Woodmere GP, L.L.C., a Texas limited liability company. Woodmere owns approximately 5.5 acres of currently undeveloped land located within the District, all of which it expects to develop as future single-family residential lots. BGM Land Investments, Ltd. (“BGM”), a Texas limited partnership, the general partner of which is G.P. Landvest L.L.C., a party that is related to Woodmere, owns approximately 68.0 acres of currently undeveloped land located within the District, all which are expected to be developed as future single-family residential lots. It is currently expected that Woodmere will purchase land from BGM on an as-needed basis with the intention of developing such land into single-family residential lots as development of the District progresses, although Woodmere has no obligation to the District to do so. After developing the land, Woodmere sells the developed lots on an as-needed basis to a related party, Long Lake, Ltd. (“Long Lake”), a Texas limited partnership that is doing business in the District as Lakewood Homes and Briarwood Homes, which has constructed and is constructing homes within the District as is described in the chart that appears in this Official Statement under the caption “DEVELOPMENT OF THE DISTRICT - Residential Units” and under the caption “BUILDERS.” Woodmere, BGM and Long Lake are all under common management and common ownership and, through one or more of such entities, have been in the land development business since 1997.

Bene Vista and Woodmere are collectively referred to herein as the “Developers.”

BUILDERS

Lakewood Homes and Briarwood Homes are currently building homes in Grand Oaks. Such home building companies are referred to herein as the “Builders.”

Homes which are currently being constructed in Grand Oaks located within the District by Lakewood Homes and Briarwood Homes range in size from approximately 2,046 square feet to 4,036 square feet of living area and sales price from approximately \$229,990 to \$311,990.

FUTURE DEVELOPMENT

The development of approximately 416.41 of the approximately 552.14 acres of land located in the District has been completed within the District as is described above under the caption “DEVELOPMENT OF THE DISTRICT.” There are approximately 88.6 acres of land located within the District available for future development which are currently undeveloped. Approximately 9.25 of such undeveloped acres are owned by Bene Vista and approximately 5.8 of such undeveloped acres are owned by Prima Terra LLC, neither of which has reported any definitive development plan for any of such acreage to the District. Approximately 68.0 of such undeveloped acres are owned by BGM and approximately 5.5 of such undeveloped acres are owned by Woodmere, all of which is expected to be developed as future single-family residential lots. Since no party, including Bene Vista, Prima Terra LLC, BGM or Woodmere, has any obligation to the District to develop any of such currently undeveloped acres according to any development plan, schedule or at all, the District cannot represent when, or whether, any of such currently undeveloped acres might be developed.

Although the aforementioned undeveloped acres may be developed in the future, the initiation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party's ability to develop and sell lots and/or other property and of any home builder to sell completed homes described in this Official Statement under the caption "INVESTMENT CONSIDERATIONS." If the undeveloped portion of the District is eventually developed, additions to the District's water, wastewater, and drainage systems required to service such undeveloped acreage may be financed by future issues (if any) of the District's bonds and developer contributions, if any, as required by the TCEQ. The District financed its cost of acquiring or constructing components of its System to serve Rolling Creek, Section 1; Rolling Creek, Section 1 Replat; Grand Oaks, Sections 1, through 6, 10 and 11; and Amesbury Park, Section 1 single-family residential lots and other facilities with portions of the proceeds of the sale of the Prior Bonds. In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds, the District anticipates financing its cost of acquiring or constructing additional components of the System, and other items, with the proceeds of the sale of bonds, if any, to be issued by the District in the future, including its approximately \$3,230,000 Unlimited Tax Bonds, Series 2020A, which the District expects to issue in approximately the fourth quarter of 2020. The District's Engineer estimates that the \$38,665,035.25 authorized bonds which remain unissued after the sale of the Bonds will be adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District. See "THE BONDS - Issuance of Additional Debt," "THE SYSTEM - Description," and "INVESTMENT CONSIDERATIONS - Future Debt." No party is under any obligation to initiate development of any of the currently undeveloped land located within the District or to complete any development, if begun, and any party initiating any future development thereon could modify or discontinue development plans, or may sell any of such land at its sole discretion at any time. Accordingly, the District makes no representation that future development will occur. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken January 2020)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken January 2020)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken January 2020)



DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the total debt service requirements of the Remaining Outstanding Bonds and the principal and interest requirements of the Bonds.

<u>Year Ending December 31</u>	<u>Current Total Debt Service</u>	<u>Less: Debt Service on Refunded Bonds</u>	<u>Plus: – The Bonds –</u>		<u>New Debt Service</u>
			<u>Principal</u>	<u>Interest</u>	
2020	\$ 1,251,081	\$ 107,300	\$ 30,000	\$ 56,792	\$ 1,230,573
2021	1,275,344	214,600	20,000	135,100	1,215,844
2022	1,276,106	659,600	465,000	134,300	1,215,806
2023	1,280,819	676,800	500,000	115,700	1,219,719
2024	1,274,431	677,713	525,000	95,700	1,217,419
2025	1,282,244	692,825	555,000	74,700	1,219,119
2026	1,309,194	726,575	595,000	63,600	1,241,219
2027	1,338,794	737,975	620,000	51,700	1,272,519
2028	1,345,994	742,975	635,000	39,300	1,277,319
2029	1,345,056	750,138	655,000	26,600	1,276,519
2030	1,352,231	755,813	675,000	13,500	1,284,919
2031	1,152,606				1,152,606
2032	1,152,994				1,152,994
2033	1,155,981				1,155,981
2034	1,156,306				1,156,306
2035	1,164,750				1,164,750
2036	1,175,625				1,175,625
2037	1,184,925				1,184,925
2038	1,197,650				1,197,650
2039	<u>1,207,231</u>				<u>1,207,231</u>
	<u>\$24,879,362</u>	<u>\$6,742,314</u>	<u>\$5,275,000</u>	<u>\$806,992</u>	<u>\$24,219,043</u>
Average Annual Requirements: (2020-2039)					\$ 1,210,952
Maximum Annual Requirement: (2030)					\$ 1,284,919

Bonded Indebtedness

2019 Assessed Valuation		\$306,347,469(a)
(As of January 1, 2019)		
See "TAX DATA" and "TAXING PROCEDURES."		
Direct Debt: Remaining Outstanding Bonds	\$ 12,105,000	
The Bonds	<u>5,275,000</u>	
Total	\$ 17,380,000(b)	
Estimated Overlapping Debt	<u>\$ 17,577,800</u>	
Direct and Estimated Overlapping Debt	<u>\$ 34,957,800</u>	
Ratio of Direct Debt:		
: as a percentage of 2019 Assessed Valuation		5.67%
Ratio of Direct and Estimated Overlapping Debt:		
: as a percentage of 2019 Assessed Valuation		11.41%
Debt Service Fund Balance Estimated as of Delivery of the Bonds	\$ 2,723,589(c)	
General Fund Balance as of February 5, 2020	\$ 3,406,465	
Average Percentage of Total Tax Collections 2009-2018		99.83%
As of January 31, 2020.		
Percentage of Tax Collections 2018 Tax Levy		
As of January 31, 2020. In process of collection..		95.63%
2019 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax	\$0.45	
Maintenance Tax	<u>0.25</u>	
Total		\$0.70(d)

- (a) As of January 1, 2019. All property located in the District is valued on the appraisal rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of taxable value as of January 1 of each year. The District's appraisal roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."
- (b) See "THE BONDS - Issuance of Additional Debt" and "DISTRICT DEBT." In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds, the District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future, including its approximately \$3,230,000 Unlimited Tax Bonds, Series 2020A, which the District expects to issue in approximately the fourth quarter of 2020. See "THE BONDS - Issuance of Additional Debt," "THE SYSTEM - Description," and "INVESTMENT CONSIDERATIONS - Future Debt."
- (c) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. Such sum gives effect to the contribution of \$13,000 of District funds lawfully available for such purpose to the refunding of the Refunded Bonds, and the timely payment by the District of the debt service requirements on the Outstanding Bonds that were due on March 1, 2020. The District's remaining debt service requirements for 2020, which are due September 1, 2020, total \$919,541 and consist of principal and interest on the Remaining Outstanding Bonds and a principal payment of \$30,000, plus a five-month interest payment on the Bonds.

- (d) The District has levied a debt service tax rate for 2019 of \$0.45 per \$100 of Assessed Valuation and a maintenance tax of \$0.25 per \$100 of Assessed Valuation. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2019 tax levies of all units of government which levy taxes against the property located within the District, including the District's total tax rate of \$0.70 per \$100 of Assessed Valuation, is \$2.8543 per \$100 of Assessed Valuation as to that portion of the District (approximately 474 acres) that lies within the Cypress-Fairbanks Independent School District, and \$2.8448 per \$100 of Assessed Valuation as to the approximately 77 acres (including Amesbury Park) that lies within the Katy Independent School District. Such aggregate levies are higher than the aggregate of the tax levies of some municipal utility districts located within the Houston metropolitan area, although they are within the range of the tax rates being levied by municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. One must consider 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 tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected. See "TAX DATA" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

Estimated Direct and Overlapping Debt Statement

The following statement indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the Assessed Valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes.

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt As of March 1, 2020</u>	<u>Overlapping</u>	
		<u>Percent</u>	<u>Amount</u>
Harris County	\$1,885,182,125	0.0633%	\$ 1,193,233
Harris County Department of Education	6,320,000	0.0633	4,000
Harris County Flood Control District	83,075,000	0.0633	52,583
Harris County Hospital District	55,005,000	0.0633	34,816
Port of Houston Authority	572,569,397	0.0633	362,410
Cypress Fairbanks Independent School District	2,844,780,000	0.4728	13,449,622
Lone Star College System	572,225,000	0.1235	706,784
Katy Independent School District	1,749,839,942	0.1014	<u>1,774,352</u>
TOTAL ESTIMATED OVERLAPPING DEBT			\$ 17,577,800
TOTAL DIRECT DEBT (c)			<u>17,380,000</u>
TOTAL DIRECT AND ESTIMATED OVERLAPPING DEBT			\$ 34,957,800
Ratio of Total Direct and Estimated Overlapping Debt to:			
			% of 2019 <u>Assessed Valuation</u>
Direct Debt			5.67%
Direct and Overlapping Debt			11.41%

- (a) Harris County Toll Road Bonds are considered to be self-supporting and are not included in this schedule.
- (b) Approximately 474 District acres are located within the Cypress-Fairbanks Independent School District, and approximately 77 District acres, including Amesbury Park, are located within the Katy Independent School District.
- (c) See “Bonded Indebtedness” above.

Under Texas law ad valorem taxes levied by each taxing authority other than the District create a lien which is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above also are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administration and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy and collect ad valorem taxes for operation and maintenance purposes in an amount not to exceed \$0.25 per \$100 of Assessed Valuation, and such taxes have been authorized by the duly qualified voters of the District. The District has levied a maintenance tax of \$0.25 per \$100 of Assessed Valuation for 2019. See "TAX DATA - Maintenance Tax" and - "Tax Rate Distribution."

TAX DATA

Debt Service Tax

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Remaining Outstanding Bonds, the Bonds and any future tax-supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation at January 1 of that year. The Board covenants in the Bond Resolution to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds 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. The District has levied a debt service tax of \$0.45 per \$100 of Assessed Valuation for 2019.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. The District voters have authorized the levy of such a maintenance tax in an amount not to exceed \$0.25 per \$100 of Assessed Valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Remaining Outstanding Bonds and any tax supported bonds which may be issued in the future. The District has levied a maintenance tax of \$0.25 per \$100 of Assessed Valuation for 2019. See "Tax Rate Distribution" below.

Historical Values and Tax Collection History

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

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate(a)</u>	<u>Adjusted Levy</u>	<u>% Collections</u>	
				<u>Current & Prior Years(b)</u>	<u>Year Ending 9/30</u>
2009	\$124,028,707	\$0.99	\$1,226,953	99.99%	2010
2010	121,360,129	0.98	1,188,869	100.00	2011
2011	126,474,492	0.97	1,226,321	100.00	2012
2012	132,703,633	0.97	1,286,623	100.00	2013
2013	145,336,893	0.96	1,394,683	100.00	2014
2014	180,872,537	0.88	1,590,488	99.95	2015
2015	211,733,784	0.85	1,799,738	99.65	2016
2016	235,560,838	0.78	1,837,375	99.60	2017
2017	261,838,438	0.70	1,832,870	99.58	2018
2018	279,355,105	0.70	1,955,486	99.56	2019
2019	306,347,469	0.70	2,144,432	95.63(c)	2020

(a) Per \$100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through January 31, 2020. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective levy) is not reflected in this statement.

(c) As of January 31, 2020. In process of collection.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2019 Assessed Valuation. The calculations also assume collection of 95% of taxes levied, no use of other legally available District funds on hand, and the sale of no additional bonds by the District. As outlined above under the caption “Historical Values and Tax Collection History,” the District has, as of January 31, 2020, collected an average annual percentage of its property taxes of 99.83% for the period 2009 through 2018, and its 2019 tax levy was 95.63% collected as of such date.

Average Annual Debt Service Requirements (2020-2039)	\$ 1,210,952
Tax Rate of \$0.42 on the 2019 Assessed Valuation (\$306,347,469) produces	\$ 1,222,326
Maximum Annual Debt Service Requirement (2030)	\$ 1,284,919
Tax Rate of \$0.45 on the 2019 Assessed Valuation (\$306,347,469) produces	\$ 1,309,635

The District has levied a tax in 2019 of \$0.70 per \$100 of Assessed Valuation, including a debt service tax of \$0.45 and a maintenance tax of \$0.25 per \$100 of Assessed Valuation. As the above table indicates, the 2019 debt service tax rate will be sufficient to pay the Average Annual Debt Service Requirements and the Maximum Annual Debt Service Requirement on the Bonds and the Remaining Outstanding Bonds assuming taxable values in the District at the level of the 2019 Assessed Valuation, assuming collection of 95% of taxes levied, the use of no other legally available District funds on hand, and the issuance of no additional bonds by the District. In addition, as is illustrated in this Official

Statement under the caption “TAX DATA - Historical Values Tax Collection History,” the District has collected an average of 99.83% of its 2009 through 2018 tax levies as of January 31, 2020, and its 2019 tax levy was 95.63% collected as of such date. Moreover, the District’s Debt Service Fund balance is estimated to be \$2,723,589 as of the date of delivery of the Bonds. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see “APPENDIX B - ANNUAL AUDIT REPORT”). Therefore, the District anticipates that it will be able to meet debt service requirements on the Bonds and the Remaining Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District levied for 2019 - \$0.45 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

Tax Rate Distribution

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Debt Service	\$0.45	\$0.45	\$0.45	\$0.53	\$0.60
Maintenance & Operations	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>
Total	\$0.70	\$0.70	\$0.70	\$0.78	\$0.85

Analysis of Tax Base

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

Type of Property	2019		2018		2017	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$ 61,550,192	20.09%	\$60,210,126	21.55%	\$ 56,475,637	21.57%
Improvements	254,834,049	83.18	225,452,375	80.70	212,101,477	81.00
Personal Property	3,637,555	1.19	4,357,232	1.56	4,548,111	1.74
Exemptions	<u>(13,674,327)</u>	<u>(4.46)</u>	<u>(10,664,628)</u>	<u>(3.82)</u>	<u>(11,286,787)</u>	<u>(4.31)</u>
Total	\$306,347,469	100.00%	\$279,355,105	100.00%	\$261,838,438	100.00%

Type of Property	2016		2015	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$ 52,196,172	22.16%	\$ 46,206,788	21.82%
Improvements	192,033,662	81.52	178,531,304	84.32
Personal Property	4,780,142	2.03	4,917,345	2.32
Exemptions	<u>(13,449,138)</u>	<u>(5.71)</u>	<u>(17,921,653)</u>	<u>(8.46)</u>
TOTAL	\$235,560,838	100.00%	\$211,733,784	100.00%

Principal 2019 Property Owners

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the Assessed Valuation of such property as of January 1, 2019. The information reflects the composition of the Appraisal District's record of property ownership as of January 1, 2019.

<u>Property Owner</u>	<u>Property Description</u>	<u>2019 Property Value</u>	<u>% 2019 Assessed Valuation</u>
QRV Westlake LLC	Land and Improvements	\$6,876,948	2.24%
Sun Capital Real Estate 1	Land and Improvements	4,955,032	1.62
Prima Terra LLC	Land	3,836,633	1.25
BGM Land Investments, Ltd.*	Land	2,924,641	0.95
Mitchell Carroll Prop LLC	Land and Improvements	2,523,372	0.82
Bene Vista Venture	Land	2,341,350	0.76
JTR Constructors Inc	Land, Improvements and Personal Property	1,301,739	0.42
Chetanarchana LLC	Land and Improvements	1,299,108	0.42
Woodmere Development Co., Ltd.*	Land and Improvements	1,189,959	0.39
Centerpoint Energy Hou	Personal Property	<u>948,420</u>	<u>0.31</u>
		\$28,197,202	9.19%

* Related parties. Long Lake, Ltd., a party related to both BGM Land Investments, Ltd. and Woodmere Development Co., Ltd., owns land, improvements and personal property located within the District the 2019 Assessed Valuation of which is \$927,389. See "DEVELOPERS."

Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2019 taxes levied upon property located within the District. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT- Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Approximately 474 District acres are located within the Cypress-Fairbanks Independent School District, and approximately 77 District acres, including Amesbury Park, are located within the Katy Independent School District.

Property Located Within Cypress-Fairbanks Independent School District

<u>2019 Tax Rate Taxing Jurisdictions</u>	<u>Per \$100 of Assessed Valuation</u>
The District	\$0.700000*
Harris County	0.407130
Harris County Hospital District	0.165910
Harris County Flood Control District	0.027920
Harris County Department of Education	0.005000
Port of Houston Authority	0.010740
Cypress-Fairbanks Independent School District	1.370000
Harris County Emergency Services District No. 9	0.059800
Lone Star College System District	<u>0.107800</u>
Total Tax Rate	\$2.85430

Property Located Within Katy Independent School District

<u>2019 Tax Rate</u> <u>Taxing Jurisdictions</u>	<u>Per \$100 of</u> <u>Assessed Valuation</u>
The District	\$0.700000*
Harris County	0.407130
Harris County Hospital District	0.165910
Harris County Flood Control District	0.027920
Harris County Department of Education	0.005000
Port of Houston Authority	0.010740
Katy Independent School District	1.443100
Harris County Emergency Services District No. 47	<u>0.085000</u>
Total Tax Rate	<u>\$2.84480</u>

* Consisting of \$0.45 per \$100 debt service tax and \$0.25 per \$100 maintenance tax.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, against all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, the Prior Bonds and any additional bonds payable from taxes which the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under the caption "THE BONDS - Source of Payment." The Board is also authorized to levy and collect annual ad valorem taxes for the administration and maintenance of the District and the System and for the payment of certain contractual obligations if such taxes are authorized by vote of the District's electors at an election. The District's electors have authorized the levy of such a maintenance tax in an amount not to exceed \$0.25 per \$100 of Assessed Valuation. See "TAX DATA - Maintenance Tax."

Exempt Property

Except for certain exemptions provided by Texas law, all real property and tangible personal property and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the Harris County Appraisal District (the "Appraisal District") described below to assess taxes against tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt real property include: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; nonprofit cemeteries; and certain property owned by qualified charitable, religious, veterans, fraternal, or educational organizations. Partially exempt to the maximum extent of between \$5,000 and \$12,000 of assessed value, depending upon the disability rating of the veteran, is property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty. Totally exempt is property owned by a veteran who receives a disability rating of 100%. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption

of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. Also partially exempt, if approved by the Board or at an election called by the Board upon petition of at least 20% of the number of the qualified voters who voted in the District's preceding election, are residence homesteads of certain persons who are disabled or at least 65 years old to the extent of \$10,000 of appraised value or such higher amount as the Board or the District's voters may approve. The District's tax assessor 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. The District has adopted a residential homestead exemption for persons 65 years or older or disabled persons for 2019 in an amount of \$10,000 of assessed valuation.

The Board may exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt and the cessation of the levy would impair the obligation of the contract by which the debt was created, then the Board may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged. To date the Board has not voted to exempt any percentage of the market value of residential homesteads from ad valorem taxation, but no representation may be made that the Board will not determine to grant such exemption in the future.

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

Harris County may designate all or part of the area within the District as a reinvestment zone, and the District, Harris County, the Katy Independent School District or the Cypress-Fairbanks Independent School District may thereafter enter into tax abatement agreements with owners of real property within the zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction, and by the District, for a period of up to 15 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. None of the area within the District has been designated as a reinvestment zone to date. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by other taxing jurisdictions.

County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") establishes an appraisal district and an appraisal review board in each county of the State of Texas. The appraisal district is governed by a board of directors elected by the governing bodies of cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district and of the county. The District is entitled to vote upon and participate in the selection of members of the board of directors of the Appraisal District. The board of directors selects a chief appraiser to manage the appraisal office of the appraisal district. All taxing units within Harris County, including the District, are included in the Appraisal District. The Appraisal District is responsible for appraising property within the District, subject to review by the Harris County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax rolls and tax rate. The valuation and assessment of taxable property within the District is governed by the Property Tax Code.

Under current Texas law, the District is responsible for the levy and collection of its taxes and will continue to be so responsible unless the Board of Directors of the District, or the qualified voters of the District or of Harris County at an election held for such purpose, determines to transfer such functions to the Appraisal District or another taxing unit.

Assessment and Levy

Generally, all taxable property in the District (other than any qualifying agricultural and timberland) must be appraised at 100% of market value as of January 1 of each tax year, subject to review and approval by the Appraisal Review Board. However, houses held for sale by a developer or builder which remain unoccupied, are not leased or rented and produce no income, are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business. See "TAX DATA - Principal 2019 Property Owners." The Property Tax Code requires each appraisal district to implement a plan providing for reappraisal of all real property in the appraisal district at least once every three years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

The Property Tax Code permits land designated for agricultural use or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including for three years for agricultural use and for five years for open space and timberland, prior to the loss of the designation.

The chief appraiser must give written notice on May 15, or as soon thereafter as practicable, to each owner if the appraised value of his property is greater than it was in the preceding year, if the appraised value of the property is greater than the value rendered by the property owner, or if the property was not on the appraisal roll in the preceding year. In addition, the chief appraiser must give written notice to each property owner whose property was reappraised in the current year or if ownership of the property changed during the preceding year. The Appraisal Review Board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice with the Appraisal Review Board may appeal the final determination by the Appraisal Review Board by filing suit in Texas district court. Prior to such appeal and prior to the delinquency date, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property. After the District receives the certified appraisal roll, the rate of taxation is set by the Board based upon the assessed valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in Texas state district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code 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.

Rollback of Operation and Maintenance Tax Rate

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, which effectively restricts increases in the District's operation and maintenance tax rates by requiring rollback elections to reduce the operation and maintenance tax component of the District's total tax rate (collectively, the debt service tax rate, maintenance and operations tax rate and contract tax rate are the "total tax rate"). See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. SB 2 requires a reduction in the operation and maintenance tax component of the District's total tax rate if the District's total tax rate surpasses the thresholds for specific classes of districts in SB 2. 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 "Low Tax Rate Districts." 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 are classified herein as "Other 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.

Low Tax Rate Districts

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

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, 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 a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead

in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Other Districts

Districts that do not meet the classification of a Low Tax Rate District or a Developed District are classified as Other Districts. The qualified voters of these districts, upon the Other 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 a rollback election is called and passes, the total tax rate for Other Districts is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

The District

A determination as to a district's status as a Low Tax Rate District, Developed District or Other District will be made on an annual basis, at the time a district sets its tax rate, 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 rollback election calculation.

Collection

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due on receipt of the tax bill and become delinquent after January 31 of the following year. However, a person who is (i) 65 years of age or older; (ii) disabled or (iii) qualifies as a disabled veteran under Texas law is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. The date of the delinquency may be postponed if the tax bills are mailed after September 30 (if the Board has authorized discounts for early payment) or otherwise after January 10. So long as the Board has not transferred responsibility for collection of the taxes to another taxing unit or the Appraisal District, the Board may permit payment without penalty or interest of the final tax installment by July 1, if one-half of taxes assessed for the current year are paid prior to December 1. The Board may approve a 3% discount for taxes paid in October, 2% for November and 1% for December. Delinquent taxes are subject to a 6% penalty for the first month of delinquency, 1% for each month thereafter to July 1 and 12% total if any taxes are unpaid on July 1. Delinquent taxes also accrue interest at the rate of 1% per month during the period they remain outstanding. In addition, the Board may impose a further penalty on all taxes, penalties, and interest unpaid on July 1 which is used to defray the cost of engaging an attorney for collection of delinquent taxes.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year upon the property. The District's tax lien is on a parity with the tax liens of the other jurisdictions levying taxes on property within the District. Whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit at any time after taxes become delinquent to foreclose its 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 also be adversely affected by the amount of taxes owed to other federal, state and local taxing jurisdictions, by the effects of market conditions on the foreclosure sales price, by the taxpayer's redemption rights (a taxpayer may redeem property within two (2) years for residence homesteads or land designated for agricultural use and within six (6) months for all other types of real property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings which restrain or stay the collection of a taxpayer's debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court. See "INVESTMENT CONSIDERATIONS - Principal Land Owners' Obligations to the District."

THE SYSTEM

Regulation

The water, wastewater and storm drainage facilities serving land within the District (the "System") 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 City of Houston, Harris County, the Harris County Flood Control District, and the TCEQ.

Operation of the 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. According to the District's Engineer, the total number of equivalent single-family connections ("ESFCs") projected for the District at the full development of its approximate 552.14 acres is approximately 1,784 with a total estimated population of 6,244 people. A description of portions of the System follows and is based upon information supplied by the District's Engineer.

Description

Proceeds of the sale of the Prior Bonds were used to finance the construction or acquisition of underground water supply and distribution, wastewater collection and treatment, and storm drainage facilities to serve the 496 fully developed single-family residential lots in Rolling Creek, Section 1, the 18 fully developed single-family residential lots contained within the Rolling Creek, Section 1 Replat, the 128 fully developed single-family residential lots located in Grand Oaks, Section 1, the 59 fully developed single-family residential lots located in Grand Oaks, Section 2, the 196 fully-developed single-family residential lots located in Grand Oaks, Section 3, the 115 fully-developed single-family residential lots located in Grand Oaks, Section 4, the 50 fully developed single-family residential lots located in Grand Oaks, Section 5, the 56 fully developed single-family residential lots located in Grand Oaks, Section 6, the 63 fully developed single-family residential lots located in Grand Oaks, Section 10, the 53 fully developed single-family residential lots located in Grand Oaks, Section 11, the 79 fully-developed single-family residential lots located in Amesbury Park, Section 1, plus certain other facilities described below. In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds, the District anticipates financing its cost of acquiring or constructing additional components of the System with the proceeds of the sale of bonds, if any, to be issued by the District in the future, including its approximately \$3,230,000 Unlimited Tax Bonds, Series 2020A, which the District expects to issue in approximately the fourth quarter of 2020. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."

- Storm Drainage -

Storm water drainage for the District is accomplished by channel improvements and a storm sewer system financed with proceeds of the sale of the Prior Bonds. See "100-Year Flood Plain" below.

- Water Supply -

Portions of the proceeds of the sale of the Prior Bonds were used to finance the construction of Water Plant No. 1, Phase One, which consisted of a 1,000-foot deep, 1,200 gallons-per-minute well, a 429,000 gallon ground storage tank, a 20,000 gallon hydropneumatic tank, a total of 1,600 gallons-per-minute of booster pump capacity, a control building and related appurtenances.

In a letter dated November 20, 1997, the TCEQ issued a Notice of Violation to the District as a result of the composite sample test that showed levels of 27.1 pCi/l for Gross Alpha and 7.59 pCi/l for Combined Radium. After being informed of the initial levels, the District's Board of Directors directed the District's Engineer and Operator to investigate the problem and recommend solutions. It was concluded that the most effective solution was to construct a second well, on the same site, utilizing only the water-bearing sands down to 500 feet. A new 400 gallons-per-minute well was constructed and water quality tests proved the new well to be in compliance. In addition, the District receives surface water from the West Harris County Regional Water Authority (the "Authority"). See - "Subsidence and Conversion to Surface Water Supply" below.

Water from both wells is being blended with the surface water received from the Authority to insure compliance with the aforementioned standards. According to samples taken during the first calendar quarter of 2010, levels of Gross Alpha and Combined Radium are less than 2.0 pCi/l (or non-detected) and less than 1.0 pCi/l (or non-detected), respectively. Water Well No. 1 is restricted to 400 gpm, resulting in a pumping capacity of the combined wells of 800 gpm, which provides sufficient well capacity for 1,333 ESFCs.

A portion of the proceeds of the sale of the Series 2002 Bonds was used to finance the District's costs associated with the construction of the aforementioned second water well and the new Water Plant No. 2, including a third water well. Such facilities consist of a 1,000 gallons-per-minute water well, a 430,000 gallon ground storage tank, a 20,000 gallon hydropneumatic tank, and a total of 2,210 gallons-per-minute of booster pump capacity. According to the District's Engineer, the District's water supply facilities contain sufficient capacity to provide service to approximately 1,888 ESFCs.

The District has a water interconnection line with the adjacent Clay Road Municipal Utility District which connects the water supply and distribution systems of the two districts. The interconnection line is normally closed, and is opened in the event of an emergency.

- Wastewater Treatment -

Wastewater treatment is provided to the District currently by an interim wastewater treatment plant with a permitted capacity of 400,000 gallons per day ("gpd") which the District financed with portions of the proceeds of the sale of the Prior Bonds. According to the District's Engineer, the capacity contained in the wastewater treatment facility is sufficient to serve 1,394 ESFCs. Design of a permanent wastewater treatment plant will need to be planned within 3 years with construction of such plant occurring within 5 years.

- 100-Year Flood Plain -

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

None of the property improved with proceeds of the sale of the Prior Bonds is designated as being located within the 100-year flood plain by the applicable Federal Emergency Management Agency Flood Insurance Rate Map Panel (FIRM) 48201C0605L revised June 18, 2007.

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

Subsidence and Conversion to Surface Water Supply

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in areas within the Subsidence District's jurisdiction. In 2001, the Texas legislature created the West Harris County Regional Water Authority (the "Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County (including the District) and a small portion of Fort Bend County. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District is included within the Authority's GRP.

The Authority has the power to issue debt supported by the revenues pledged for the payment of its obligations and may establish fees, user fees, rates, charges and special assessments as necessary to accomplish its purposes. The Authority currently charges the District, and other major groundwater users, a fee of \$3.20 per 1,000 gallons of groundwater pumped. It is anticipated that said fee will increase in the future. The District is currently receiving surface water from the Authority at a rate of \$3.60 per 1,000 gallons. The Authority has to date issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will issue substantially more bonds by the year 2030 to finance the Authority's project costs.

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) have limited groundwater withdrawals to no more than 70% of the total water demand within the Authority's GRP beginning January 2013; (ii) limit groundwater withdrawals to no more than 40% of the total water demand within the Authority's GRP beginning January 2025; and (iii) limit groundwater withdrawals to no more than 20% of the total water demand within the Authority's GRP beginning January 2035. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a \$9.00 per 1,000 gallons disincentive fee penalty ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand within the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely seek monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any political subdivision other than the District, are secured by an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. See “THE BONDS - Source of Payment.” The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The land located within the District has been developed primarily for single-family residential and commercial purposes. A substantial percentage of the assessed valuation of the property located within the District is attributable to the current market value of (i) single-family residences that have been constructed within the District, (ii) the single-family residential lots that have been developed by the developers of the District and of the developed lots which have been sold by such developers to homebuilders for the construction of primary residences, and (iii) commercial buildings that have been construction within the District. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon and the construction of commercial buildings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy costs and availability and the prosperity and demographic characteristics of the urban area toward which the marketing of lots, homes and commercial enterprises is directed. Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. A decline in the price of oil could also adversely affect the demand for single-family housing and their values. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although, as of January 1, 2020, the District contains (i) a total of 1,433 fully developed single-family residential lots on 1,336 of which single-family homes have been constructed (including 27 homes that are currently under construction) and 28 lots that are currently under development; (ii) a gasoline service station and convenience store, a Kwik Kar Lube, a Wells Fargo Bank, a shopping center, a Quick Cleaners, a 450-unit storage facility, a 156-pod luxury recreational vehicle storage facility and a McDonald’s restaurant as described in the sections of this Official Statement entitled “DEVELOPMENT OF THE DISTRICT” and “THE SYSTEM,” and (iii) homes are being constructed in the District as is described in this Official Statement under the caption “BUILDERS,” the District cannot predict the pace or magnitude of any future residential or home construction or the construction of any other taxable improvements than those that have been constructed therein to date.

National Economy: There has been a downturn in new housing construction in the United States, resulting in a decline in national housing market values. Although, as of January 1, 2020, the District contains (i) a total of 1,433 fully developed single-family residential lots on 1,336 of which single-family homes have been constructed (including 27 homes that are currently under construction) and 28 lots that are currently under development; (ii) a gasoline service station and convenience store, a Kwik Kar Lube, a Wells Fargo Bank, a shopping center, a Quick Cleaners, a 450-unit storage facility, a 156-pod luxury recreational vehicle storage facility and a McDonald’s restaurant as described in the sections of this Official Statement entitled “DEVELOPMENT OF THE DISTRICT” and “THE SYSTEM,” and (iii) homes are being constructed in the District as is described in this Official Statement under the caption “BUILDERS,” the District cannot predict the pace or magnitude of any future residential or home construction or the construction of any other taxable improvements than those that have been constructed therein

to date. The District cannot predict what impact, if any, a downturn in the local housing markets and a continued downturn in the national housing and financial markets may have on the Houston market generally and the District specifically, or the maintenance of assessed values in the District.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on residential and commercial development activity and the construction of homes and commercial projects, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders are able to finance the construction of new homes for sale and at which commercial developers are able to finance new commercial projects. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District and of homebuilders to initiate the construction of new homes for sale and of commercial developers to initiate the construction of commercial projects. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction or the construction of new commercial projects within the District. In addition, since the District is located approximately 21 miles northwest of the central downtown business district of the City of Houston, the success of development within the District and growth or maintenance of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect development and homebuilding plans or the construction of new commercial projects in the District and restrain the growth of the District's property tax base.

Principal Land Owners' Obligations to the District

The ability of any principal land owner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. See "TAX DATA - Principal 2019 Property Owners." The District cannot predict the pace or magnitude of any future development or home construction or construction of any other taxable improvements in the District in addition to the development and improvements that have been undertaken therein to date. Woodmere (see "DEVELOPERS") is selling lots to the Builders as is described herein under the caption "BUILDERS," and the Builders are currently constructing homes on the Grand Oaks lots as is described under such caption. There is, however, no obligation on the part of the Builders to continue such home building programs. There are approximately 88.6 acres of land located within the District available for future development which are currently undeveloped. Approximately 9.25 of such undeveloped acres are owned by Bene Vista and approximately 5.8 of such undeveloped acres are owned by Prima Terra LLC, neither of which has reported any definitive development plan for any of such acreage to the District. Approximately 68.0 of such undeveloped acres are owned by BGM and approximately 5.5 of such undeveloped acres are owned by Woodmere, all of which is expected to be developed as future single-family residential lots. Since no party, including Bene Vista, Prima Terra LLC, BGM and Woodmere, has any obligation to the District to develop any of such currently undeveloped acres according to any development plan, schedule or at all, the District cannot represent when, or whether, any of such currently undeveloped acres might be developed. Therefore, the District cannot represent when, or whether, any of such acres available for future development might be further developed or have any above-ground improvements constructed on them. See "DEVELOPMENT OF THE DISTRICT," "FUTURE DEVELOPMENT," and "THE SYSTEM."

Maximum Impact on District Tax Rates

Assuming no further construction of homes and other taxable improvements within the District other than those which have heretofore been constructed, and no additional development in the District other than the development which has occurred to date, the value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The 2019 Assessed Valuation of property within the District is \$306,347,469. See "TAX DATA." After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Remaining Outstanding Bonds will be \$1,284,919 (2030), and the Average Annual Debt Service Requirements will be \$1,210,952 (2020 through 2039, inclusive). Assuming no increase to or decrease from the 2019 Assessed Valuation, the issuance of no additional bonds by the District, and no use of other legally available District funds, tax rates of \$0.45 and \$0.42 per \$100 of Assessed Valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement

and the Average Annual Debt Service Requirements, respectively. For 2019, the District has levied a debt service tax of \$0.45 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.25 per \$100 of Assessed Valuation. Therefore, the 2019 debt service tax rate will be sufficient to pay the Average Annual Debt Service Requirements and the Maximum Annual Debt Service Requirements on the Bonds and the Remaining Outstanding Bonds assuming taxable values at the level of the 2019 Assessed Valuation. In addition, as is illustrated in this Official Statement under the caption "TAX DATA - Historical Values Tax Collection History," the District has collected an average of 99.83% of its 2009 through 2018 tax levies as of January 31, 2020, and its 2019 tax levy was 95.63% collected as of such date. Moreover, the District's Debt Service Fund balance is estimated to be \$2,723,589 as of the date of delivery of the Bonds. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - ANNUAL AUDIT REPORT"). Therefore, the District anticipates that it will be able to meet debt service requirements on the Bonds and the Remaining Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District levied for 2019 - \$0.45 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "TAX DATA - Tax Rate Calculations."

Increases in the District's tax rate to levels higher than the total rate of \$0.70 per \$100 of Assessed Valuation which the District has levied for 2019, consisting of debt service and maintenance tax components of \$0.45 and \$0.25 per \$100 of Assessed Valuation, respectively, may have an adverse impact upon future development within the District, the future construction of homes and other taxable improvements within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be a costly and lengthy processes. See "TAXING PROCEDURES - District's Rights in the Event of Tax Delinquencies."

As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2019 tax levies of all units of government which levy taxes against the property located within the District is \$2.8543 per \$100 of Assessed Valuation as to that portion of the District (approximately 474 acres) that lies within the Cypress-Fairbanks Independent School District, and \$2.8448 per \$100 of Assessed Valuation as to the approximately 77 acres (including Amesbury Park) that lies within the Katy Independent School District. Such aggregate levies are higher than the aggregate of the tax levies of some municipal utility districts located within the Houston metropolitan area, although they are within the range of the tax rates being levied by municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. One must consider 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 tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

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 the amount of taxes owed to other taxing units, a bankruptcy court's stay of tax collection procedures against a taxpayer, and market conditions limiting the proceeds from a foreclosure sale of taxable property. The District's lien on taxable property within the District for taxes levied against such property can be foreclosed only in a judicial proceeding. See "TAXING PROCEDURES - District's Rights in the Event of Tax Delinquencies."

The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 (“FIRREA”) contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens, and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation (“FDIC”) when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

There has been no definitive judicial determination of the validity of these provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain recent federal court decisions have held that the FDIC is not liable for statutory penalties and interest authorized by state property tax law, and that, although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC, and no liens for penalties, fines, interest, attorney's fees, costs of abstract, and research fees exist against the real property for the failure of the FDIC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent the FIRREA provisions are valid and applicable to any property in the District and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes. See “TAX DATA - Principal 2019 Property Owners.”

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Based on recent Texas court decisions, it is unclear whether §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See “THE BONDS - Registered Owners’ Remedies.”

The District may not be placed into bankruptcy involuntarily.

Marketability

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

Future Debt

The District has reserved in the Bond Resolution the right to issue the remaining \$38,533,841.60 bonds authorized but unissued for waterworks, wastewater and drainage facilities and for refunding purposes, and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. The District also has reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. All of the remaining bonds authorized for waterworks, sanitary sewer and drainage facilities, and for refunding purposes, which have heretofore been authorized by voters of the District may be issued by the District from time to time as needed. The issuance of the aforementioned \$38,533,841.60 bonds for waterworks, wastewater and drainage facilities is also subject to TCEQ approval. The District's Engineer estimates that the \$38,533,841.60 authorized bonds which remain unissued after the sale of the Bonds will be adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds and the Remaining Outstanding Bonds. In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds, the District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future, including its approximately \$3,230,000 Unlimited Tax Bonds, Series 2020A, which the District expects to issue in approximately the fourth quarter of 2020. See "THE BONDS - Issuance of Additional Debt" and "THE SYSTEM - Description."

Competitive Nature of Houston Housing and Commercial Development and Building Markets

The single-family housing and commercial development and building industries in the Houston area are very competitive, and the District can give no assurance that additional development or the construction of new taxable commercial improvements or single-family homes, other than the development that has been previously undertaken within the District or the homes and other improvements which currently exist within the District, will be initiated or completed. The likelihood of additional development or of the construction of future residential or commercial improvements is affected by most of the factors discussed in this section, and such likelihood is directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District. Although the Builder is currently constructing homes in the District, the District cannot represent that additional homes will be constructed. See "BUILDER."

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. 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. See "TAX EXEMPTION."

Environmental Regulations

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

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

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future

compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues

Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston Galveston 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).

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

The HGB area is currently designated as a "moderate" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the HGB area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more-stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

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

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

Water Supply & Discharge Issues

Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) public water supply systems, (2) waste water discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the federal Safe Drinking Water Act ("SDWA") and Environmental Protection Agency's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system.

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

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

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 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.

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 became final on December 23, 2019.

On January 23, 2020, the EPA and USACE finalized a replacement definition of "waters of the United States." The proposed definition outlines the categories of waters that would be considered "waters of the United States," including traditional navigable waters, perennial and intermittent tributaries to those waters, certain lakes, ponds, and impoundments and wetlands adjacent to jurisdiction 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; groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; farm and stock watering ponds; and waste treatment systems. The new rule will become effective 60 days after publication in the Federal Register, which has not yet occurred.

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

develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

Tropical Weather Events

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

The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. "500 year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the District's Operator and Engineer, the District's System did not sustain any material damage from Hurricane Harvey and there was no interruption of water or sewer service. According to the District's Operator approximately 12 homes within the District experienced structural flooding or other significant damage as a result of Hurricane Harvey. All of such homes have been repaired. Hurricane Harvey could have a material impact on the Houston region's economy.

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

Specific Flood Type Risks

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

Changes in Tax Legislation

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, and all taxable property within the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount, based upon examination of a transcript of certified proceedings held incident to the issuance and authorization of the Bonds, and the approving legal opinion of Coats Rose, P.C., Bond Counsel for the District, to a like effect. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. The legal

opinion of McCall, Parkhurst & Horton, L.L.P. (“Special Tax Counsel”) will address the matters described below under “TAX MATTERS.” Such opinion will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS” (except for information under the subheading “Book-Entry-Only System”), “PLAN OF FINANCING - Refunded Bonds,” - “Payment of Refunded Bonds,” “THE DISTRICT - Authority” and - “Attorney,” “TAXING PROCEDURES,” “LEGAL MATTERS - Legal Opinions” (but only insofar as such caption relates to the opinion of Bond Counsel), and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. In its capacity as Special Tax Counsel, McCall, Parkhurst & Horton, L.L.P., has reviewed the information appearing in this Official Statement under the captions “LEGAL MATTERS - Legal Opinions” (but only insofar as such caption relates to the opinion of Special Tax Counsel), and “TAX MATTERS” to determine whether such information fairly summarizes the procedures, law and documents referred to therein. Bond Counsel and Special Tax Counsel have not, however, independently verified any of the other factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such parties’ 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.

Coats Rose, P.C., also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., Houston, Texas. McCall, Parkhurst & Horton L.L.P. has represented the District as Disclosure Counsel on certain previous new money financings.

No Arbitrage

The District will certify on the date the Bonds are delivered and paid for that based upon all facts and estimates now known or reasonably expected to be in existence, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be “arbitrage bonds” under Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations prescribed from time to time thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District have been authorized to certify to the facts, circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District will covenant in the Bond Resolutions that it will make such use of the proceeds of the Bonds, regulate investments of proceeds of the Bonds and take such other and further actions and follow such procedures, including without limitation, calculation of the yield on the Bonds, as may be required so that the Bonds will not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

Opinion

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

State, Local and Foreign Taxes

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

The District expects to designate the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as “qualified tax-exempt obligations.”

Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded;

however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be “qualified tax-exempt obligations.”

VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided on behalf of the District relating to (a) computation of the adequacy of the amounts to be held by the Paying Agent for the Refunded Bonds in the Payment Account to pay, when due, the principal or redemption price of and interest on the Refunded Bonds, (b) the computation of the yield on the Refunding Bonds, and (c) the mathematical computations related to certain requirements of City of Houston Ordinance No. 97-416 were verified by Robert Thomas CPA. The computations were independently verified by Robert Thomas CPA based solely upon assumptions and information supplied on behalf of the District, and the District. Robert Thomas CPA, LLC has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of future events.

Robert Thomas CPA, LLC relied on the accuracy, completeness and reliability of all information provide to it by, and on all decisions and approvals of, the District. In addition, Robert Thomas CPA, LLC has relied on any information provided to it by the District’s retained advisors, consultants or legal counsel. Robert Thomas CPA, LLC was not engaged to perform audit or attest services under AICPA auditing or attestation standards or to provide any form of attest report or opinion under such standards in conjunction with this engagement.

SOURCES OF INFORMATION

General

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

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The District's financial statements for the year ended July 31, 2019, were audited by Mark C. Eyring, CPA, PLLC, and have been included herein as “APPENDIX B.” Mark C. Eyring, CPA, PLLC, has agreed to the publication of such financial statements in this Official Statement.

Experts

The information contained in this Official Statement relating to engineering, to the description of the System generally and, in particular, the engineering information included in the section captioned “THE SYSTEM” has been provided by LJA Engineering, Inc., Houston, Texas. Such information has been included herein in reliance upon the authority of LJA Engineering, Inc. as an expert 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 principal taxpayers, tax collection rates and valuations contained in the sections captioned “TAX DATA” and “DISTRICT DEBT” has been provided by the Harris County Appraisal District and Bob Leared Interests. The District has included certain information herein in reliance upon Bob Leared Interests' authority as an expert in the field of tax assessing and real property appraisal.

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Underwriters a certificate, executed by the President or Vice President and Secretary or Assistant Secretary of the Board, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the information, descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data contained in this Official Statement, of or pertaining to entities other than the District and their activities are concerned, such statements and data have been obtained from sources which the District believes to be reliable and that the District has no reason to believe that they are untrue in any material respect or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; however, the District has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District.

Updating of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB 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 "SELECTED FINANCIAL INFORMATION" and "TAX DATA" and in "APPENDIX B" (the Audit). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2020.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District's audit is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements within the required time, and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is July 31. Accordingly, it must provide updated information by the last day of January 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 specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other 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 SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of 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 SEC Rule 15c2-12, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

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

Limitations and Amendments

The District has agreed to update information and to provide notices of events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement, or from any statement made pursuant to its agreement, although holders and beneficial owners of 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, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The District is in compliance with all continuing disclosure agreements made by it in connection with SEC Rule 15c2-12 in the last five years.

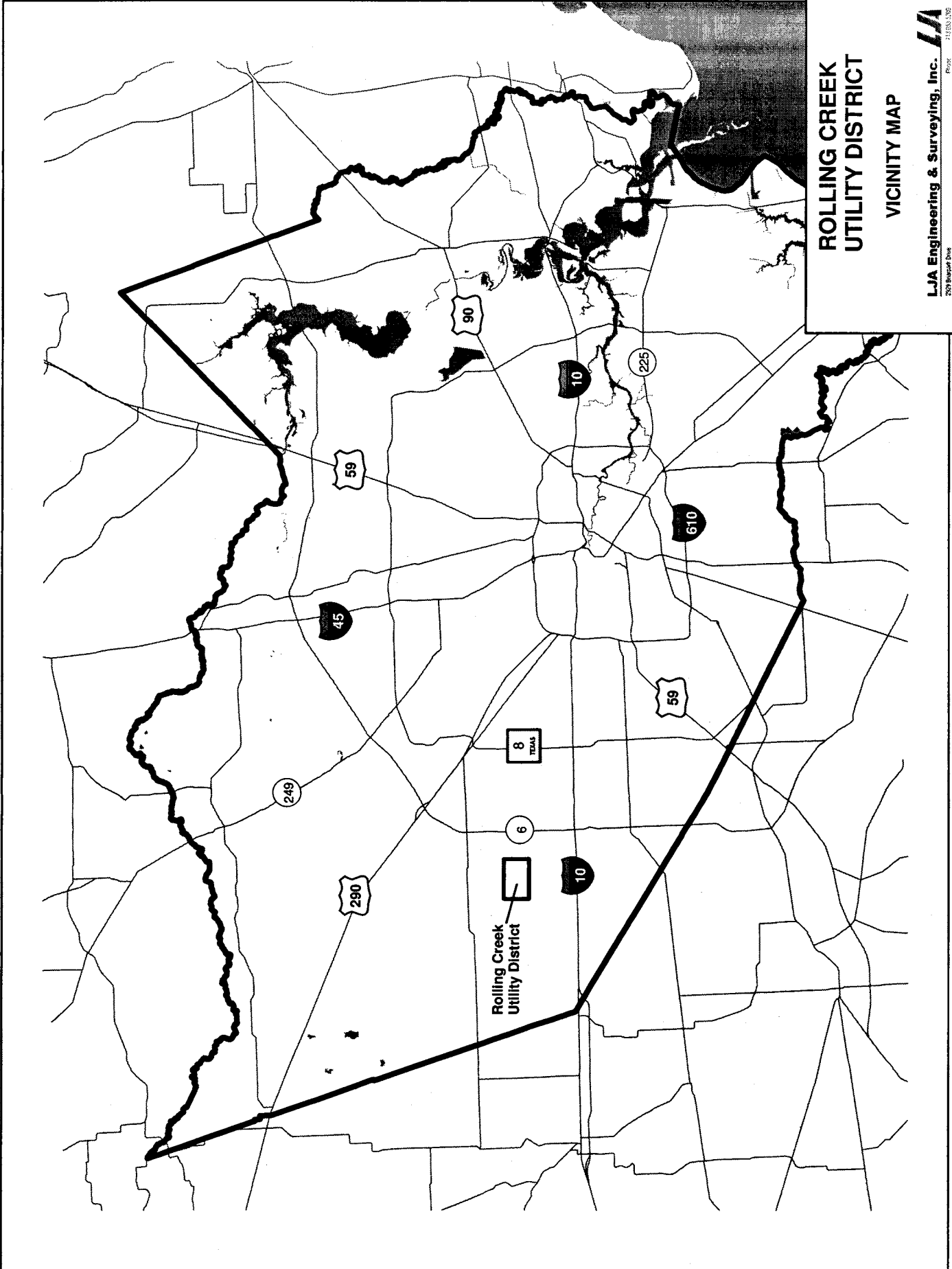
This Official Statement was approved by the Board of Directors of Rolling Creek Utility District as of the date shown on the first page hereof.

/s/ Brian A. Gardner
President, Board of Directors
Rolling Creek Utility District

ATTEST:

/s/ Gary Brown
Secretary/Treasurer, Board of Directors
Rolling Creek Utility District

APPENDIX A
LOCATION MAP



**ROLLING CREEK
UTILITY DISTRICT**

VICINITY MAP

LJA Engineering & Surveying, Inc.
Professional Engineer
State No. 2006
Houston, Texas 77062-3728
Phone: 713.333.2200
Fax: 713.333.2205

APPENDIX B

ROLLING CREEK UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

JULY 31, 2019

ROLLING CREEK UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

JULY 31, 2019

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Mark C. Eyring, CPA, PLLC

12702 Century Drive • Suite C2 • Stafford, Texas 77477 • 281-277-9595 • Mark@EyringCPA.com

November 6, 2019

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rolling Creek Utility District
Harris County, Texas

I have audited the accompanying financial statements of the governmental activities and each fund of Rolling Creek Utility District, as of and for the year ended July 31, 2019, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 assessment of the risk 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 I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Rolling Creek Utility District as of July 31, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)**Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 8 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 21 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 22 to 41 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in black ink, appearing to read "M. G. J.", is located at the bottom right of the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Rolling Creek Utility District (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended July 31, 2019.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. Other activities, such as garbage collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

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

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

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

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

Fund Financial Statements

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

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

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

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds, and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Current and other assets	\$ 6,465,495	\$ 6,747,962	\$ (282,467)
Capital assets	<u>13,071,502</u>	<u>10,935,817</u>	<u>2,135,685</u>
Total assets	<u>19,536,997</u>	<u>17,683,779</u>	<u>1,853,218</u>
Long-term liabilities	19,667,237	15,226,235	4,441,002
Other liabilities	<u>1,123,968</u>	<u>1,525,976</u>	<u>(402,008)</u>
Total liabilities	<u>20,791,205</u>	<u>16,752,211</u>	<u>4,038,994</u>
Net position:			
Invested in capital assets, net of related debt	(7,109,518)	(4,801,721)	(2,307,797)
Restricted	3,021,070	3,087,748	(66,678)
Unrestricted	<u>2,834,240</u>	<u>2,645,541</u>	<u>188,699</u>
Total net position	<u>\$ (1,254,208)</u>	<u>\$ 931,568</u>	<u>\$ (2,185,776)</u>

Summary of Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Revenues:			
Property taxes	\$ 1,956,581	\$ 1,833,082	\$ 123,499
Charges for services	1,486,840	1,454,227	32,613
Other revenues	<u>77,082</u>	<u>43,433</u>	<u>33,649</u>
Total revenues	<u>3,520,503</u>	<u>3,330,742</u>	<u>189,761</u>
Expenses:			
Service operations	4,752,134	2,180,052	2,572,082
Debt service	<u>954,145</u>	<u>508,142</u>	<u>446,003</u>
Total expenses	<u>5,706,279</u>	<u>2,688,194</u>	<u>3,018,085</u>
Change in net position	(2,185,776)	642,548	(2,828,324)
Net position, beginning of year	<u>931,568</u>	<u>289,020</u>	<u>642,548</u>
Net position, end of year	<u>\$ (1,254,208)</u>	<u>\$ 931,568</u>	<u>\$ (2,185,776)</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended July 31, 2019, were \$5,863,644, an increase of \$132,239 from the prior year.

The General Fund balance increased by \$185,793, as revenues and the reimbursement of \$298,808 from the Capital Projects Fund exceeded expenditures.

The Debt Service Fund balance increased by \$244,864, in accordance with the District's financial plan.

The Capital Projects Fund balance decreased by \$298,418, as the reimbursement of \$298,808 to the General Fund and authorized expenditures exceeded Series 2019 bond proceeds and interest earnings on deposits.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 21 of this report. The budgetary fund balance as of July 31, 2019, was expected to be \$2,952,181, and the actual end of year fund balance was \$2,821,184.

Capital Asset and Debt Administration

Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2019</u>	<u>2018</u>	<u>Change</u>
Land	\$ 141,215	\$ 141,215	\$ 0
Construction in progress	2,562,514	4,126,070	(1,563,556)
Water facilities	3,536,862	2,593,033	943,829
Sewer facilities	5,567,974	2,759,503	2,808,471
Drainage facilities	<u>1,262,937</u>	<u>1,315,996</u>	<u>(53,059)</u>
Totals	<u>\$ 13,071,502</u>	<u>\$ 10,935,817</u>	<u>\$ 2,135,685</u>

Changes to capital assets during the fiscal year ended July 31, 2019, are summarized as follows:

Additions:

Wastewater treatment plant im	\$ 109,582
Water and sewer line relocation	284,122
Sewer system improvements	54,996
Water, sewer and drainage construction by developer	<u>4,486,643</u>
Total additions to capital assets	4,935,343

Decreases:

Transfer of subdivision drainage system to Harris County	(2,349,596)
Depreciation	<u>(450,062)</u>

Net change to capital assets	<u>\$ 2,135,685</u>
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Debt

Changes in the bonded debt position of the District during the fiscal year ended July 31, 2019, are summarized as follows:

Bonded debt payable, beginning of year	\$ 11,870,000
Sale of bonds	6,595,000
Bonds paid	<u>(545,000)</u>
Bonded debt payable, end of year	<u>\$ 17,920,000</u>

At July 31, 2019, the District had \$38,810,035 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The District's bonds have an underlying rating of BBB+ by Standard & Poor's. The Series 2010 and 2012 bonds are insured by Assured Guaranty Municipal Corp., the Series 2014 and 2019 bonds are insured by Build America Mutual Assurance Company and the Series 2015 bonds are insured by Municipal Assurance Corp. The insured rating of the Series 2010, 2012, 2014, 2015 and 2019 bonds is AA by Standard & Poor's. The Series 2012 bonds are also rated A2 by Moody's. There were no changes in the bond ratings during the fiscal year ended July 31, 2019.

As further described in Note 5 of the notes to the financial statements, developers within the District are constructing water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality. At July 31, 2019, the estimated amount due to developers was \$2,562,514.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$17,320,000 for the 2018 tax year (approximately 7%), due to the addition of new houses to the tax base and the increase in the average assessed valuations on existing property.

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston without the District's consent. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District would be annexed for limited purposes by the City. The terms of any such agreement would be determined by the City and the District.

The District is not aware of any plans regarding annexation or a strategic partnership with the City of Houston.

Water Supply Issues

The District is within the Harris-Galveston Subsidence District (the "Subsidence District") Regulatory Area No. 3. The Subsidence District regulates the withdrawal of groundwater within its jurisdiction. The District's authority to pump ground water from its well is subject to annual permits issued by the Subsidence District. The Subsidence District has ordered certain areas of suburban Houston to convert most of their water supply to surface water under various schedules. Beginning in January 2003, the District was required to have a groundwater reduction plan ("GRP"), approved by the Subsidence District. The Subsidence District designated January 2010, as the date required for the District to restrict the withdrawal of ground water and convert 30% of its total water use to surface water; January 2025, as the date required for the District to restrict the withdrawal of ground water and convert 60% of its total water use to surface water and January 2035, as the date required for the District to restrict the withdrawal of ground water and convert 80% of its total water use to surface water. If the District does not meet the requirements of the Subsidence District, the District may be required to pay the disincentive fees adopted by the Subsidence District.

In May, 2001, the Texas Legislature created the West Harris County Regional Water Authority (the "Authority") and included the District within the boundaries of the Authority. The Authority was created to provide a regional entity to build the necessary facilities to meet the subsidence District's requirements for conversion from ground water to surface water of all permit holders within its boundaries, including the District. Accordingly, the District is required to pay groundwater reduction plan fees to the Authority, and in turn is entitled to rely upon the Authority's GRP to achieve compliance with the Subsidence District's requirements. In accordance with the GRP, the Authority has negotiated a water supply contract with the City of Houston and has issued revenue bonds to finance the surface water supply system. The Authority may establish such fees, charges, or tolls as necessary to accomplish its purposes. At July 31, 2019, the Authority's well pumpage fee was equal to \$2.95 per 1,000 gallons pumped, and is expected to increase in the future. At July 31, 2019, the Authority's surface water usage fee was equal to \$3.35 per 1,000 gallons, and is expected to increase in the future.

The District cannot predict the amount or level of fees and charges which may be due the Authority for future years, but anticipates that it will pass such fees through to its customers in higher water and sewer rates. In the event the Authority fails to meet the Subsidence District's requirements by the deadlines established by the Subsidence District, the District and others within the Authority's GRP group could be required to pay the disincentive fee on withdrawn groundwater. This disincentive fee is substantial, and the District expects it would need to pass such fee through to its customers in higher water and sewer rates. This disincentive fee would be in addition to the Authority's fee.

ROLLING CREEK UTILITY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

JULY 31, 2019

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$1,617,934	\$1,465,155	\$ 32,016	\$ 3,115,105	\$	\$ 3,115,105
Certificates of deposit, at cost, Note 7	723,480	1,062,728		1,786,208		1,786,208
Temporary investments, at cost, Note 7	832,490	494,693		1,327,183		1,327,183
Receivables:						
Property taxes	13,056	25,538		38,594		38,594
Accrued penalty and interest on property taxes				0	17,649	17,649
Service accounts	117,054			117,054		117,054
Accrued interest	9,267	16,702		25,969		25,969
Other	3,877			3,877		3,877
Prepaid expenditures	33,856			33,856		33,856
Due from other funds	26,223	897		27,120	(27,120)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	2,703,729	2,703,729
Depreciable capital assets				0	10,367,773	10,367,773
Total assets	<u>\$3,377,237</u>	<u>\$3,065,713</u>	<u>\$ 32,016</u>	<u>\$ 6,474,966</u>	13,062,031	19,536,997
LIABILITIES						
Accounts payable	\$ 424,426	\$ 3,508	\$	\$ 427,934		427,934
Accrued interest payable				0	59,999	59,999
Customer and builder deposits	117,674			117,674		117,674
Due to other funds	897		26,223	27,120	(27,120)	0
Long-term liabilities, Note 5:						
Due within one year				0	518,361	518,361
Due in more than one year				0	19,667,237	19,667,237
Total liabilities	<u>542,997</u>	<u>3,508</u>	<u>26,223</u>	<u>572,728</u>	20,218,477	20,791,205
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>13,056</u>	<u>25,538</u>	<u>0</u>	<u>38,594</u>	<u>(38,594)</u>	<u>0</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Restricted for future construction, Note 7			4,578	4,578	(4,578)	0
Assigned to:						
Debt service		3,036,667		3,036,667	(3,036,667)	0
Capital projects			1,215	1,215	(1,215)	0
Unassigned	<u>2,821,184</u>			<u>2,821,184</u>	<u>(2,821,184)</u>	<u>0</u>
Total fund balances	<u>2,821,184</u>	<u>3,036,667</u>	<u>5,793</u>	<u>5,863,644</u>	<u>(5,863,644)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$3,377,237</u>	<u>\$3,065,713</u>	<u>\$ 32,016</u>	<u>\$ 6,474,966</u>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(7,109,518)	(7,109,518)
Restricted for debt service					3,019,855	3,019,855
Restricted for capital projects					1,215	1,215
Unrestricted					2,834,240	2,834,240
Total net position					<u>\$ (1,254,208)</u>	<u>\$ (1,254,208)</u>

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

ROLLING CREEK UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JULY 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 693,913	\$ 1,249,378	\$	\$ 1,943,291	\$ 7,527	\$ 1,950,818
Water service	385,381			385,381		385,381
Sewer service	500,929			500,929		500,929
Surface water fees, Note 9	437,470			437,470		437,470
Penalty, interest and other	40,540	2,184		42,724	3,579	46,303
Tap connection and inspection fees	103,603			103,603		103,603
Interest on deposits and investments	36,778	37,588	2,716	77,082		77,082
Accrued interest on bonds received at date of sale		3,902		3,902	(3,902)	0
Other	18,917			18,917		18,917
Total revenues	2,217,531	1,293,052	2,716	3,513,299	7,204	3,520,503
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	170,109	5,425		175,534		175,534
Contracted services	79,334	33,637		112,971		112,971
Utilities	90,627			90,627		90,627
Surface water fees, Note 9	449,143			449,143		449,143
Repairs, maintenance and other operating expenditures	659,683			659,683		659,683
Security services	69,165			69,165		69,165
Garbage disposal	240,454			240,454		240,454
Administrative expenditures	89,033	5,345		94,378		94,378
Depreciation				0	450,062	450,062
Capital outlay / non-capital outlay	482,998		5,950,653	6,433,651	(4,023,534)	2,410,117
Debt service:						
Principal retirement		545,000		545,000	(545,000)	0
Bond issuance expenditures			448,823	448,823		448,823
Interest and fees		458,781		458,781	46,541	505,322
Total expenditures / expenses	2,330,546	1,048,188	6,399,476	9,778,210	(4,071,931)	5,706,279
Excess (deficiency) of revenues over expenditures	(113,015)	244,864	(6,396,760)	(6,264,911)	4,079,135	(2,185,776)
OTHER FINANCING SOURCES (USES)						
Bonds issued, Note 5		197,850	6,397,150	6,595,000	(6,595,000)	0
Bond issuance discount, Note 5		(197,850)		(197,850)	197,850	0
Reimbursement to (from) other fund, Note 7	298,808	0	(298,808)	0	0	0
Total other financing sources (uses)	298,808	0	6,098,342	6,397,150	(6,397,150)	0
Net change in fund balances / net position	185,793	244,864	(298,418)	132,239	(2,318,015)	(2,185,776)
Beginning of year	2,635,391	2,791,803	304,211	5,731,405	(4,799,837)	931,568
End of year	<u>\$ 2,821,184</u>	<u>\$ 3,036,667</u>	<u>\$ 5,793</u>	<u>\$ 5,863,644</u>	<u>\$ (7,117,852)</u>	<u>\$ (1,254,208)</u>

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

ROLLING CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 1: REPORTING ENTITY

Rolling Creek Utility District (the "District") was created by Acts of the 62nd Legislature of the State of Texas, Regular Session, 1971, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on January 17, 1984, and the first bonds were sold on September 30, 1985. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

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

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 5,863,644
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		13,071,502
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (17,920,000)	
Deferred charge on refunding (to be amortized as interest expense)	123,174	
Issuance discount, net of premium (to be amortized as interest expense)	173,742	
Due to developers	<u>(2,562,514)</u>	(20,185,598)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	17,649	
Uncollected property taxes	<u>38,594</u>	56,243
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(59,999)</u>
Net position, end of year		<u>\$ (1,254,208)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		\$ 132,239
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay	\$ 4,023,534	
Depreciation	<u>(450,062)</u>	3,573,472
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Bonds issued	(6,595,000)	
Principal reduction	<u>545,000</u>	(6,050,000)
<p>The funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>		
Refunding charges	(22,864)	
Issuance discount, net of premium	<u>191,595</u>	168,731
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Accrued penalty and interest on property taxes receivable	3,579	
Uncollected property taxes	<u>7,527</u>	11,106
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:</p>		
Accrued interest		<u>(21,324)</u>
Change in net position		<u>\$ (2,185,776)</u>

NOTE 4: CAPITAL ASSETS

At July 31, 2019, "Invested in capital assets, net of related debt" was \$(7,109,518). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended July 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 141,215	\$	\$	\$ 141,215
Construction in progress	<u>4,126,070</u>	<u>4,880,347</u>	<u>6,443,903</u>	<u>2,562,514</u>
Total capital assets not being depreciated	<u>4,267,285</u>	<u>4,880,347</u>	<u>6,443,903</u>	<u>2,703,729</u>
Depreciable capital assets:				
Water system	5,819,206	1,154,721		6,973,927
Sewer system	4,721,887	2,994,582		7,716,469
Drainage system	<u>2,387,637</u>			<u>2,387,637</u>
Total depreciable capital assets	<u>12,928,730</u>	<u>4,149,303</u>	<u>0</u>	<u>17,078,033</u>
Less accumulated depreciation for:				
Water system	(3,226,173)	(210,892)		(3,437,065)
Sewer system	(1,962,384)	(186,111)		(2,148,495)
Drainage system	<u>(1,071,641)</u>	<u>(53,059)</u>		<u>(1,124,700)</u>
Total accumulated depreciation	<u>(6,260,198)</u>	<u>(450,062)</u>	<u>0</u>	<u>(6,710,260)</u>
Total depreciable capital assets, net	<u>6,668,532</u>	<u>3,699,241</u>	<u>0</u>	<u>10,367,773</u>
Total capital assets, net	<u>\$ 10,935,817</u>	<u>\$ 8,579,588</u>	<u>\$ 6,443,903</u>	<u>\$ 13,071,502</u>
Changes to capital assets:				
Capital outlay		\$ 4,023,534	\$	
Assets transferred to depreciable assets		4,094,307	4,094,307	
Transfer of subdivision drainage to Harris County		2,349,596	2,349,596	
Capital outlay paid (decrease in liability) to developer		(5,924,430)		
Increase in liability to developer for construction		4,486,643		
Less depreciation expense for the fiscal year		<u>(450,062)</u>		
Net increases / decreases to capital assets		<u>\$ 8,579,588</u>	<u>\$ 6,443,903</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended July 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 11,870,000	\$ 6,595,000	\$ 545,000	\$ 17,920,000	\$ 570,000
Less deferred amounts:					
For refunding charges	(146,038)		(22,864)	(123,174)	(21,231)
For issuance (discounts) premiums	<u>17,853</u>	<u>(197,850)</u>	<u>(6,255)</u>	<u>(173,742)</u>	<u>(30,408)</u>
Total bonds payable	<u>11,741,815</u>	<u>6,397,150</u>	<u>515,881</u>	<u>17,623,084</u>	<u>518,361</u>
Due to developers (see below)	<u>4,000,301</u>	<u>4,486,643</u>	<u>5,924,430</u>	<u>2,562,514</u>	<u>-----</u>
Total long-term liabilities	<u>\$ 15,742,116</u>	<u>\$ 10,883,793</u>	<u>\$ 6,440,311</u>	<u>\$ 20,185,598</u>	<u>\$ 518,361</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Developer Construction Commitments and Liabilities

Developers within the District are currently constructing certain underground facilities within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The developer's engineer stated that cost of the construction in progress at July 31, 2019, was \$2,562,514. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

As of July 31, 2019, the debt service requirements on the bonds payable were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 570,000	\$ 690,534	\$ 1,260,534
2021	590,000	650,714	1,240,714
2022	635,000	628,225	1,263,225
2023	660,000	603,462	1,263,462
2024	690,000	577,624	1,267,624
2025 - 2029	4,015,000	2,458,467	6,473,467
2030 - 2034	4,485,000	1,579,491	6,064,491
2035 - 2039	5,110,000	679,720	5,789,720
2040	<u>1,165,000</u>	<u>21,116</u>	<u>1,186,116</u>
	<u>\$ 17,920,000</u>	<u>\$ 7,889,353</u>	<u>\$ 25,809,353</u>

Bonds voted	\$ 64,605,000
Bonds approved for sale and sold for facilities and refunding	25,794,965
Bonds voted and not issued	38,810,035

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.

The bond issues payable at July 31, 2019, were as follows:

	<u>Refunding Series 2010</u>	<u>Refunding Series 2012</u>
Amounts outstanding, July 31, 2019	\$3,110,000	\$3,395,000
Interest rates	4.00%	2.25% to 4.25%
Maturity dates, serially beginning/ending	September 1, 2019/2025	September 1, 2019/2030
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates	September 1, 2017*	September 1, 2019*

*Or any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Series 2014</u>	<u>Refunding Series 2015</u>	<u>Series 2019</u>
Amounts outstanding, July 31, 2019	\$2,900,000	\$1,920,000	\$6,595,000
Interest rates	4.00% to 5.00%	2.00% to 3.125	3.375% to 4.00
Maturity dates, serially beginning/ending	September 1, 2019/2033	September 1, 2019/2030	September 1, 2031/2039
Interest payment dates	September 1/March 1	September 1/March 1	September 1/March 1
Callable dates	September 1, 2021*	September 1, 2022*	September 1, 2024*

*Or any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District.

NOTE 6: PROPERTY TAXES

The Harris County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

The Bond Resolutions require that the District 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.

At an election held April 7, 1984, the voters within the District authorized a maintenance tax not to exceed \$0.25 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 3, 2018 the District levied the following ad valorem taxes for the 2018 tax year on the adjusted taxable valuation of \$279,168,500:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.4500	\$ 1,256,259
Maintenance	<u>0.2500</u>	<u>697,922</u>
	<u>\$ 0.7000</u>	<u>\$ 1,954,181</u>

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2018 tax year total property tax levy	\$ 1,954,181
Appraisal district adjustments to prior year taxes	<u>(3,363)</u>
Statement of Activities property tax revenues	<u>\$ 1,950,818</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and in TexPool, a local government investment pool sponsored by the State Comptroller. TexPool is rated AAAM by Standard & Poor's.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$4,901,313 and the bank balance was \$4,902,125. Of the bank balance, \$2,070,412 was covered by federal insurance and \$2,831,713 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Atlanta.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$1,327,183.

Deposits and temporary investments restricted by state statutes and the Bond Resolutions:

Debt Service Fund

For payment of debt principal and interest,
paying agent fees and costs of assessing and
collecting taxes:

Cash	\$ 1,465,155
Certificates of deposit	1,062,728
Temporary investments	<u>494,693</u>
	<u>\$ 3,022,576</u>

Capital Projects Fund

For construction of capital assets:

Cash	<u>\$ 32,016</u>
------	------------------

At July 31, 2019, the Texas Commission on Environmental Quality required that the District escrow \$4,578 from the proceeds of its Series 2002 issue. At the balance sheet date, these funds were invested in an interest-bearing cash account.

During the fiscal year ended July 31, 2019, the District reimbursed the General Fund \$298,808 from the Capital Projects Fund in accordance with the rules of the Texas Commission on Environmental Quality.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At July 31, 2019, the District had physical damage and boiler and machinery coverage of \$9,807,330, comprehensive general liability coverage with a per occurrence limit of \$2,000,000 and \$4,000,000 general aggregate, automobile liability coverage of \$2,000,000, pollution coverage of \$2,000,000, statutory worker's compensation coverage, consultant's crime coverage of \$50,000 and a tax assessor-collector bond of \$50,000.

NOTE 9: REGIONAL WATER AUTHORITY

The West Harris County Regional Water Authority (the "Authority") was created by House Bill 1842, Acts of the 77th Legislature, Regular Session 2001. The Authority is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Authority is empowered to, among other powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, as of July 31, 2019, the Authority had established a well pumpage fee of \$2.95 per 1,000 gallons of water pumped from each regulated well and a surface water usage fee of \$3.35 per 1,000 gallons of water purchased. The District's pumpage and surface water fees payable to the Authority for the fiscal year ended July 31, 2019, were \$437,470. The District billed its customers \$449,143 during the fiscal year to pay for the fees charged by the Authority.

ROLLING CREEK UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 695,870	\$ 695,870	\$ 693,913	\$ (1,957)
Water service	400,000	400,000	385,381	(14,619)
Sewer service	450,000	450,000	500,929	50,929
Surface water fees	400,000	400,000	437,470	37,470
Penalty and other	31,500	31,500	40,540	9,040
Tap connection and inspection fees	55,000	55,000	103,603	48,603
Interest on deposits and investments	5,000	5,000	36,778	31,778
Other	<u>0</u>	<u>0</u>	<u>18,917</u>	<u>18,917</u>
TOTAL REVENUES	<u>2,037,370</u>	<u>2,037,370</u>	<u>2,217,531</u>	<u>180,161</u>
EXPENDITURES				
Service operations:				
Professional fees	213,750	213,750	170,109	(43,641)
Contracted services	82,668	82,668	79,334	(3,334)
Utilities	90,000	90,000	90,627	627
Surface water fees	360,000	360,000	449,143	89,143
Repairs, maintenance and other operating expenditures	560,500	560,500	659,683	99,183
Security services	67,152	67,152	69,165	2,013
Garbage disposal	225,000	225,000	240,454	15,454
Administrative expenditures	61,510	61,510	89,033	27,523
Capital outlay	<u>60,000</u>	<u>60,000</u>	<u>482,998</u>	<u>422,998</u>
TOTAL EXPENDITURES	<u>1,720,580</u>	<u>1,720,580</u>	<u>2,330,546</u>	<u>609,966</u>
EXCESS REVENUES (EXPENDITURES)	<u>316,790</u>	<u>316,790</u>	<u>(113,015)</u>	<u>(429,805)</u>
OTHER FINANCING SOURCES (USES)				
Reimbursement from other fund	<u>0</u>	<u>0</u>	<u>298,808</u>	<u>298,808</u>
TOTAL OTHER FINANCIAL SOURCES (USES)	<u>0</u>	<u>0</u>	<u>298,808</u>	<u>298,808</u>
EXCESS SOURCES (USES)	<u>316,790</u>	<u>316,790</u>	<u>185,793</u>	<u>(130,997)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>2,635,391</u>	<u>2,635,391</u>	<u>2,635,391</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,952,181</u>	<u>\$ 2,952,181</u>	<u>\$ 2,821,184</u>	<u>\$ (130,997)</u>

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

JULY 31, 2019

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

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in General Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

ROLLING CREEK UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES
JULY 31, 2019

1. Services Provided by the District during the Fiscal Year:

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

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$21.00	10,000	N	\$1.50 2.00	10,000 to 20,000 Over 20,000
WASTEWATER:	\$33.19		Y		
SURCHARGE:	\$3.62 per 1,000 gallons of water used. – WHCRWA surface water fees. 0.50 % of monthly billing -- TCEQ assessment fees.				

District employs winter averaging for wastewater usage: Yes No

Total charges per 10,000 gallons usage: Water: \$21.00 Wastewater: \$33.19 Surcharge: \$36.45

ROLLING CREEK UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES (Continued)
JULY 31, 2019

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	0	0	1.0	0
< or = 3/4"	1,279	1,274	1.0	1,274
1"	15	15	2.5	38
1-1/2"	5	5	5.0	25
2"	22	22	8.0	176
3"	0	0	15.0	0
4"	1	0	25.0	0
6"	0	0	50.0	0
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	<u>1,322</u>	<u>1,316</u>		<u>1,513</u>
Total Wastewater	<u>1,289</u>	<u>1,284</u>	1.0	<u>1,284</u>

*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited): 134,314
 Gallons billed to customers (unaudited): 129,277

Water Accountability Ratio
 (Gallons billed/ gallons pumped): 96%

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

If yes, date of the most recent Commission Order: _____

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

If yes, date of the most recent Commission Order: _____

ROLLING CREEK UTILITY DISTRICT
EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Professional fees:				
Auditing	\$ 10,950	\$	\$	\$ 10,950
Legal	93,546	5,425		98,971
Engineering	65,613			65,613
	<u>170,109</u>	<u>5,425</u>	<u>0</u>	<u>175,534</u>
Contracted services:				
Bookkeeping	18,366			18,366
Operation and billing	60,968			60,968
Tax assessor-collector		19,204		19,204
Central appraisal district		14,433		14,433
	<u>79,334</u>	<u>33,637</u>	<u>0</u>	<u>112,971</u>
Utilities	<u>90,627</u>	<u>0</u>	<u>0</u>	<u>90,627</u>
Surface water fees:				
Ground water pumpage fees	11,933			11,933
Purchased surface water	437,210			437,210
	<u>449,143</u>	<u>0</u>	<u>0</u>	<u>449,143</u>
Repairs, maintenance, and other operating expenditures:				
Repairs and maintenance	571,943			571,943
Sludge hauling	7,560			7,560
Chemicals	23,517			23,517
Laboratory costs	29,482			29,482
Sewer inspection costs	22,803			22,803
TCEQ assessment	4,378			4,378
	<u>659,683</u>	<u>0</u>	<u>0</u>	<u>659,683</u>
Security services	<u>69,165</u>	<u>0</u>	<u>0</u>	<u>69,165</u>
Garbage disposal	<u>240,454</u>	<u>0</u>	<u>0</u>	<u>240,454</u>
Administrative expenditures:				
Director's fees	11,700			11,700
Office supplies and postage	28,706			28,706
Insurance	25,777	250		26,027
Permit fees	5,076			5,076
Other	17,774	5,095		22,869
	<u>89,033</u>	<u>5,345</u>	<u>0</u>	<u>94,378</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT
EXPENDITURES (Continued)
FOR THE YEAR ENDED JULY 31, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CAPITAL OUTLAY				
Authorized expenditures	\$ 422,477	\$	\$ 5,950,653	\$ 6,373,130
Tap connection costs	60,521			60,521
	<u>482,998</u>	<u>0</u>	<u>5,950,653</u>	<u>6,433,651</u>
DEBT SERVICE				
Principal retirement	<u>0</u>	<u>545,000</u>	<u>0</u>	<u>545,000</u>
Bond issuance expenditures	<u>0</u>	<u>0</u>	<u>448,823</u>	<u>448,823</u>
Interest and fees:				
Interest		455,481		455,481
Paying agent fees		3,300		3,300
	<u>0</u>	<u>458,781</u>	<u>0</u>	<u>458,781</u>
TOTAL EXPENDITURES	<u>\$ 2,330,546</u>	<u>\$ 1,048,188</u>	<u>\$ 6,399,476</u>	<u>\$ 9,778,210</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JULY 31, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	\$ 1,547,242	\$ 1,283,424	\$ 2,716	\$ 2,833,382
Maintenance tax receipts		693,913		693,913
Transfer of maintenance taxes	695,607			695,607
Proceeds from sale of bonds			6,397,150	6,397,150
Reimbursement from other fund	298,808			298,808
Receipt of interfund receivable			42	42
Increase in customer and builder deposits	13,800			13,800
Overpayments from taxpayers		10,145		10,145
	<u>2,555,457</u>	<u>1,987,482</u>	<u>6,399,908</u>	<u>10,942,847</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED				
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	1,702,032	43,738		1,745,770
Capital outlay	398,645		5,924,430	6,323,075
Debt service		1,003,781	448,823	1,452,604
Other fund	26,223			26,223
Reimbursement to other fund			298,808	298,808
Disbursements from developer advance			356,193	356,193
Payment of interfund payable	42			42
Transfer of maintenance taxes		695,607		695,607
Refund of taxpayer overpayments		7,840		7,840
	<u>2,126,942</u>	<u>1,750,966</u>	<u>7,028,254</u>	<u>10,906,162</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED				
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	428,515	236,516	(628,346)	36,685
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>2,745,389</u>	<u>2,786,060</u>	<u>660,362</u>	<u>6,191,811</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 3,173,904</u>	<u>\$ 3,022,576</u>	<u>\$ 32,016</u>	<u>\$ 6,228,496</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

JULY 31, 2019

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Certificates of Deposit				
No. 13638	2.35%	1/04/20	\$ 240,000	\$ 3,214
No. 6000022514	2.60%	1/04/20	240,000	3,556
No. 51202639	2.60%	3/09/20	<u>243,480</u>	<u>2,497</u>
			<u>\$ 723,480</u>	<u>\$ 9,267</u>
TexPool				
No. 2677200002	Market	On demand	<u>\$ 832,490</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
Certificates of Deposit				
No. 9009002290	2.35%	8/05/19	\$ 240,000	\$ 5,563
No. 1852001631	2.45%	9/17/19	102,728	2,186
No. 531079	2.60%	11/28/19	240,000	4,188
No. 95900011875045	2.35%	11/30/19	240,000	3,755
No. 1002162799	2.40%	5/28/20	<u>240,000</u>	<u>1,010</u>
			<u>\$ 1,062,728</u>	<u>\$ 16,702</u>
TexPool				
No. 2677200001	Market	On demand	<u>\$ 494,693</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 3,113,391</u>	<u>\$ 25,969</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2019

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 10,150	\$ 20,917
Additions and corrections to prior year taxes	<u>(1,103)</u>	<u>(2,260)</u>
Adjusted receivable, beginning of year	9,047	18,657
2018 ADJUSTED TAX ROLL	<u>697,922</u>	<u>1,256,259</u>
Total to be accounted for	706,969	1,274,916
Tax collections: Current tax year	(692,570)	(1,246,626)
Prior tax years	<u>(1,343)</u>	<u>(2,752)</u>
RECEIVABLE, END OF YEAR	<u>\$ 13,056</u>	<u>\$ 25,538</u>
RECEIVABLE, BY TAX YEAR		
2009	\$ 5	\$ 15
2010	0	0
2011	0	0
2012	0	0
2013	0	0
2014	217	548
2015	1,872	4,493
2016	2,347	4,976
2017	3,263	5,873
2018	<u>5,352</u>	<u>9,633</u>
RECEIVABLE, END OF YEAR	<u>\$ 13,056</u>	<u>\$ 25,538</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE (Continued)
FOR THE YEAR ENDED JULY 31, 2019

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land	\$ 60,210,126	\$ 56,475,637	\$ 52,196,172	\$ 46,206,788
Improvements	225,530,967	212,101,477	192,033,662	178,531,304
Personal property	4,324,852	4,117,526	4,780,142	4,917,345
Less exemptions	<u>(10,897,445)</u>	<u>(10,848,745)</u>	<u>(13,462,621)</u>	<u>(17,942,557)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 279,168,500</u>	 <u>\$ 261,845,895</u>	 <u>\$ 235,547,355</u>	 <u>\$ 211,712,880</u>
 TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.45000	\$ 0.45000	\$ 0.53000	\$ 0.60000
Maintenance tax rates*	<u>0.25000</u>	<u>0.25000</u>	<u>0.25000</u>	<u>0.25000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.70000</u>	 <u>\$ 0.70000</u>	 <u>\$ 0.78000</u>	 <u>\$ 0.85000</u>
 TAX ROLLS	 <u>\$ 1,954,181</u>	 <u>\$ 1,832,922</u>	 <u>\$ 1,837,269</u>	 <u>\$ 1,799,560</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED	 <u>99.2 %</u>	 <u>99.5 %</u>	 <u>99.6 %</u>	 <u>99.7 %</u>

*Maximum tax rate approved by voters on April 7, 1984: \$0.25

ROLLING CREEK UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
JULY 31, 2019

Series 2010			
<u>Due During Fiscal Years Ending July 31,</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 385,000	\$ 116,700	\$ 501,700
2021	400,000	101,000	501,000
2022	415,000	84,700	499,700
2023	445,000	67,500	512,500
2024	465,000	49,300	514,300
2025	485,000	30,300	515,300
2026	<u>515,000</u>	<u>10,300</u>	<u>525,300</u>
 TOTALS	 <u>\$ 3,110,000</u>	 <u>\$ 459,800</u>	 <u>\$ 3,569,800</u>

Series 2012			
<u>Due During Fiscal Years Ending July 31,</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 15,000	\$ 139,831	\$ 154,831
2021	15,000	139,419	154,419
2022	15,000	138,932	153,932
2023	15,000	138,444	153,444
2024	15,000	137,956	152,956
2025	15,000	137,468	152,468
2026	20,000	136,900	156,900
2027	590,000	124,775	714,775
2028	625,000	100,475	725,475
2029	655,000	74,056	729,056
2030	690,000	45,475	735,475
2031	<u>725,000</u>	<u>15,406</u>	<u>740,406</u>
 TOTALS	 <u>\$ 3,395,000</u>	 <u>\$ 1,329,137</u>	 <u>\$ 4,724,137</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

JULY 31, 2019

<u>Due During Fiscal Years Ending July 31,</u>	<u>Series 2014</u>		
	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 25,000	\$ 126,750	\$ 151,750
2021	25,000	125,500	150,500
2022	50,000	123,625	173,625
2023	50,000	121,125	171,125
2024	50,000	118,625	168,625
2025	50,000	116,125	166,125
2026	50,000	113,875	163,875
2027	50,000	111,875	161,875
2028	75,000	109,375	184,375
2029	75,000	106,375	181,375
2030	75,000	103,281	178,281
2031	75,000	100,094	175,094
2032	725,000	83,094	808,094
2033	750,000	51,281	801,281
2034	775,000	17,437	792,437
TOTALS	<u>\$ 2,900,000</u>	<u>\$ 1,528,437</u>	<u>\$ 4,428,437</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

JULY 31, 2019

<u>Due During Fiscal Years Ending July 31,</u>	<u>Series 2015</u>		
	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 145,000	\$ 53,638	\$ 198,638
2021	150,000	50,688	200,688
2022	155,000	46,862	201,862
2023	150,000	42,287	192,287
2024	160,000	37,637	197,637
2025	160,000	32,837	192,837
2026	160,000	28,037	188,037
2027	160,000	23,238	183,238
2028	160,000	18,437	178,437
2029	170,000	13,488	183,488
2030	170,000	8,281	178,281
2031	180,000	2,812	182,812
TOTALS	<u>\$ 1,920,000</u>	<u>\$ 358,242</u>	<u>\$ 2,278,242</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

JULY 31, 2019

<u>Due During Fiscal Years Ending July 31,</u>	<u>Series 2019</u>		
	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$	\$ 253,615	\$ 253,615
2021		234,107	234,107
2022		234,106	234,106
2023		234,106	234,106
2024		234,106	234,106
2025		234,106	234,106
2026		234,107	234,107
2027		234,106	234,106
2028		234,106	234,106
2029		234,106	234,106
2030		234,106	234,106
2031		234,106	234,106
2032	95,000	232,206	327,206
2033	105,000	228,206	333,206
2034	120,000	223,706	343,706
2035	935,000	205,528	1,140,528
2036	975,000	172,688	1,147,688
2037	1,020,000	137,775	1,157,775
2038	1,065,000	101,288	1,166,288
2039	1,115,000	62,441	1,177,441
2040	1,165,000	21,116	1,186,116
TOTALS	<u>\$ 6,595,000</u>	<u>\$ 4,213,737</u>	<u>\$ 10,808,737</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

JULY 31, 2019

<u>Due During Fiscal Years Ending July 31,</u>	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total
2020	\$ 570,000	\$ 690,534	\$ 1,260,534
2021	590,000	650,714	1,240,714
2022	635,000	628,225	1,263,225
2023	660,000	603,462	1,263,462
2024	690,000	577,624	1,267,624
2025	710,000	550,836	1,260,836
2026	745,000	523,219	1,268,219
2027	800,000	493,994	1,293,994
2028	860,000	462,393	1,322,393
2029	900,000	428,025	1,328,025
2030	935,000	391,143	1,326,143
2031	980,000	352,418	1,332,418
2032	820,000	315,300	1,135,300
2033	855,000	279,487	1,134,487
2034	895,000	241,143	1,136,143
2035	935,000	205,528	1,140,528
2036	975,000	172,688	1,147,688
2037	1,020,000	137,775	1,157,775
2038	1,065,000	101,288	1,166,288
2039	1,115,000	62,441	1,177,441
2040	1,165,000	21,116	1,186,116
TOTALS	<u>\$ 17,920,000</u>	<u>\$ 7,889,353</u>	<u>\$ 25,809,353</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED JULY 31, 2019

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
Bond Series:	2010	2012	2014
Interest Rate:	4.00%	2.25% to 4.25%	4.00% to 5.00%
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity Dates:	September 1, 2019/2025	September 1, 2019/2030	September 1, 2019/2033
Bonds Outstanding at Beginning of Current Year	\$ 3,480,000	\$ 3,410,000	\$ 2,925,000
Less Retirements	<u>(370,000)</u>	<u>(15,000)</u>	<u>(25,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 3,110,000</u>	<u>\$ 3,395,000</u>	<u>\$ 2,900,000</u>
Current Year Interest Paid:	<u>\$ 130,875</u>	<u>\$ 140,168</u>	<u>\$ 128,000</u>

Bond Descriptions and Original Amount of Issue

- (1) Rolling Creek Utility District Unlimited Tax Refunding Bonds, Series 2010 (\$5,350,000)
- (2) Rolling Creek Utility District Unlimited Tax Refunding Bonds, Series 2012 (\$3,520,000)
- (3) Rolling Creek Utility District Unlimited Tax Bonds, Series 2014 (\$3,300,000)

Paying Agent/Registrar

- (1) Wells Fargo Bank Texas, N.A., Houston, Texas
- (2) Wells Fargo Bank Texas, N.A., Dallas, Texas
- (3) Wells Fargo Bank N.A., Minneapolis, Minnesota

ROLLING CREEK UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)
FOR THE YEAR ENDED JULY 31, 2019

	<u>(4)</u>	<u>(5)</u>	<u>Totals</u>
Bond Series:	2015	2019	
Interest Rate:	2.00% to 3.125%	3.375% to 4.00%	
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	
Maturity Dates:	September 1, 2019/2030	September 1, 2031/2039	
Bonds Outstanding at Beginning of Current Year	\$ 2,055,000	\$	\$ 11,870,000
Add Bonds Sold		6,595,000	6,595,000
Less Retirements	<u>(135,000)</u>	<u>0</u>	<u>(545,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 1,920,000</u>	<u>\$ 6,595,000</u>	<u>\$ 17,920,000</u>
Current Year Interest Paid:	<u>\$ 56,438</u>	<u>\$ 0</u>	<u>\$ 455,481</u>

Bond Descriptions and Original Amount of Issue

(4) Rolling Creek Utility District Unlimited Tax Refunding Bonds, Series 2015 (\$2,335,000)

(5) Rolling Creek Utility District Unlimited Tax Bonds, Series 2019 (\$6,595,000)

Paying Agent/Registrar

(4) (5) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Tax and Refunding Bonds</u>
Amount Authorized by Voters:	\$ 4,075,000	\$ 0	\$ 64,605,000
Amount Issued:	4,075,000		25,794,965
Remaining to be Issued:	0		38,810,035

Net Debt Service Fund deposits and investments balances as of July 31, 2019: \$3,036,667
Average annual debt service payment for remaining term of all debt: 1,229,017

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED JULY 31

	AMOUNT				PERCENT OF TOTAL REVENUES			
	2019	2018	2017	2015	2019	2018	2017	2015
REVENUES								
Property taxes	\$ 693,913	\$ 655,376	\$ 587,991	\$ 452,726	31.2 %	30.9 %	30.1 %	27.8 %
Water service	385,381	396,734	364,165	324,219	17.4	18.6	18.6	20.0
Sewer service	500,929	489,507	461,508	417,130	22.6	23.0	23.6	25.6
Surface water fees	437,470	445,631	384,565	275,179	19.7	20.9	19.6	16.9
Penalty and other	40,540	40,319	48,412	56,452	1.8	1.9	2.5	3.5
Tap connection and inspection fees	103,603	76,725	99,755	83,930	4.7	3.6	5.1	5.2
Interest on deposits and investments and other	55,695	25,279	10,987	15,164	2.6	1.1	0.5	1.0
TOTAL REVENUES	2,217,531	2,129,571	1,957,383	1,624,800	100.0	100.0	100.0	100.0
EXPENDITURES								
Service operations:								
Professional fees	170,109	185,493	180,857	135,351	7.7	8.7	9.2	8.3
Contracted services	79,334	81,273	76,923	84,077	3.6	3.8	3.9	5.2
Utilities	90,627	93,503	86,503	86,575	4.1	4.4	4.4	5.3
Surface water fees	449,143	444,728	376,044	282,752	20.2	20.9	19.2	17.4
Repairs, maintenance and other operating expenditures	659,683	584,884	543,618	461,754	29.8	27.5	27.9	28.4
Security services	69,165	67,990	67,150	0	3.1	3.2	3.4	0.0
Garbage disposal	240,454	219,809	226,490	216,335	10.8	10.3	11.6	13.3
Administrative expenditures	89,033	75,444	76,863	56,879	4.0	3.5	3.9	3.5
Capital outlay	482,998	229,471	183,884	53,213	21.8	10.8	9.4	3.3
TOTAL EXPENDITURES	2,330,546	1,982,595	1,818,332	1,376,936	105.1	93.1	92.9	84.7
EXCESS REVENUES (EXPENDITURES)	\$ (113,015)	\$ 146,976	\$ 139,051	\$ 247,864	(5.1) %	6.9 %	7.1 %	15.3 %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,316	1,248	1,201	1,048				
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,284	1,219	1,171	1,023				

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND

FOR YEARS ENDED JULY 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
REVENUES										
Property taxes	\$ 1,249,378	\$ 1,182,050	\$ 1,247,807	\$ 1,264,292	\$ 1,142,756	96.6 %	98.0 %	98.9 %	99.1 %	98.7 %
Penalty and interest	2,184	4,896	3,425	3,903	4,304	0.2	0.4	0.3	0.3	0.4
Accrued interest on bonds received at date of sale	3,902	0	0	0	2,817	0.3	0.0	0.0	0.0	0.2
Interest and fees	37,588	19,557	10,595	8,017	7,751	2.9	1.6	0.8	0.6	0.7
TOTAL REVENUES	<u>1,293,052</u>	<u>1,206,503</u>	<u>1,261,827</u>	<u>1,276,212</u>	<u>1,157,628</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Professional fees	5,425	6,878	9,633	9,844	9,426	0.4	0.6	0.8	0.8	0.8
Contracted services	33,637	31,605	31,586	30,018	27,108	2.6	2.6	2.5	2.4	2.3
Other expenditures	5,345	5,936	7,647	8,311	4,220	0.4	0.5	0.6	0.7	0.4
Debt service:										
Principal retirement	545,000	530,000	520,000	400,000	620,000	42.2	43.9	41.2	31.3	53.5
Interest and fees	458,781	475,044	490,781	509,251	532,070	35.5	39.4	38.9	39.8	46.0
TOTAL EXPENDITURES	<u>1,048,188</u>	<u>1,049,463</u>	<u>1,059,647</u>	<u>957,424</u>	<u>1,192,824</u>	<u>81.1</u>	<u>87.0</u>	<u>84.0</u>	<u>75.0</u>	<u>103.0</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 244,864</u>	<u>\$ 157,040</u>	<u>\$ 202,180</u>	<u>\$ 318,788</u>	<u>\$ (35,196)</u>	<u>18.9 %</u>	<u>13.0 %</u>	<u>16.0 %</u>	<u>25.0 %</u>	<u>(3.0) %</u>

ROLLING CREEK UTILITY DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

JULY 31, 2019

Complete District Mailing Address: Rolling Creek Utility District
c/o Coats Rose, P.C.
9 Greenway Plaza, Suite 1000
Houston, Texas 77046

District Business Telephone No.: 713-651-0111

Submission date of the most recent District Registration Form: June 5, 2019

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Brian A. Gardner 19819 Big Canyon Drive Katy, Texas 77450	Elected 5/06/17- 5/01/21	\$ 3,750	\$ 392	President
Adrian M. Shapiro P.O. Box 35353 Houston, Texas 77235-5353	Elected 5/04/19- 5/06/23	1,950	591	Vice President/ Inv. Officer
Gary Brown 178 Lattice Gate St. The Woodlands, Texas 77382	Elected 5/04/19- 5/06/23	2,100	700	Secretary/ Treasurer
Kenneth B. Levenson 7510 Janak Drive Houston, Texas 77055	Elected 5/06/17- 5/01/21	1,800	73	Assistant Secretary
Clay Deaton 18215 Langsbury Drive Houston, Texas 77084	Elected 5/06/17- 5/01/21	2,100	886	Asst. Sec/ Assistant Vice Pres.

ROLLING CREEK UTILITY DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

JULY 31, 2019

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	1/25/84	\$ 96,792 207,409 Bonds	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, Texas 77008	10/06/99	2,179 Bonds	Delinquent Tax Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	1/25/84	20,488 4,000 Bonds	Bookkeeper
Inframark, LLC 32259 Morton Road Brookshire, Texas 77423	6/01/12	813,071	Operator
LJA Engineering & Surveying, Inc. 2929 Briarpark Drive, Suite 600 Houston, Texas 77042	11/01/00	69,685 41,562 Bonds	Engineer
Bob Leared 11111 Katy Freeway, Suite 725 Houston, Texas 77043	7/27/84	22,047 2,500 Bonds	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	14,433	Central Appraisal District
Rathmann and Associates, L.P. 8584 Katy Freeway, Suite 250 Houston, Texas 77024	5/07/03	133,400 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 1992	10,950 5,700 Bonds	Independent Auditor

See accompanying independent auditor's report.

APPENDIX C

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY



**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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

