

OFFICIAL STATEMENT DATED APRIL 29, 2020

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

THE BONDS HAVE **NOT** BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE-Book-Entry Only

Insured Rating (AGM): S&P "AA" (stable outlook)
 Moody's "A2" (stable outlook)
 Underlying Rating: Moody's "Baa1"
 See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

\$1,930,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 287
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX REFUNDING BONDS
SERIES 2020

The bonds described above (the "Bonds") are obligations solely of Harris County Municipal Utility District No. 287 (the "District") and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

Dated Date: June 1, 2020

Due: September 1, as shown below

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



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

MATURITY SCHEDULE

Due (September 1)	Principal Amount	Interest Rate	Initial		Due (September 1)	Principal Amount	Interest Rate	Initial	
			Reoffering Yield (c)	CUSIP Number (b)				Reoffering Yield (c)	CUSIP Number (b)
2021	\$ 100,000	4.00%	1.82%	41422L HC4	2025	\$ 115,000	4.00%	2.15%	41422L HG5
2022	105,000	4.00%	1.91%	41422L HD2	**	**	**	**	**
2023	110,000	4.00%	2.02%	41422L HE0	2028	130,000 (a)	3.00%	2.35%	41422L HK6
2024	110,000	4.00%	2.10%	41422L HF7	2029	135,000 (a)	3.00%	2.41%	41422L HL4

\$245,000 Term Bonds due September 1, 2027 (a), 41422L HJ9 (b), 3.00% Interest Rate, 2.28% Yield (c)

\$880,000 Term Bonds due September 1, 2035 (a), 41422L HS9 (b), 3.00% Interest Rate, 3.00% Yield (c)

- (a) Bonds maturing on and after September 1, 2027, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2026, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory redemption as more fully described herein. See "THE BONDS—Redemption Provisions."
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial reoffering yield represents the initial offering yield to the public which has been established by the Underwriter (as herein defined) for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from June 1, 2020, is to be added to the price.

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

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Bond Counsel. See "LEGAL MATTERS." Certain legal matters will be reviewed by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Underwriter's Counsel. Delivery of the Bonds through DTC is expected on or about June 5, 2020.

SAMCO CAPITAL

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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 representation must not be relied upon as having been authorized by the District.

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027-7528 upon payment of the costs of duplication therefor.

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

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

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$1,959,159.80 (representing the par amount of the Bonds of \$1,930,000.00, plus a premium on the Bonds of \$52,802.45, less an Underwriter’s discount of \$23,642.65) plus accrued interest. The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING—Sources and Uses of Funds.”

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

Prices and Marketability

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

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this OFFICIAL STATEMENT. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire OFFICIAL STATEMENT and of the documents summarized or described therein.

INFECTIOUS DISEASE OUTLOOK (COVID-19)

General...

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. As described herein under “INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)”, federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of COVID-19 upon the District. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District’s financial condition. See “INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19).”

RECENT EXTREME WEATHER EVENTS; HURRICANE HARVEY

General...

The greater Houston area, including Harris County, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days.

Impact on the District...

According to Environmental Development Partners (the “Operator”), BGE, Inc. (the “Engineer”) and Clay Road 628 Development LP (“Clay Road”), the water, wastewater and drainage system serving the District did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, according to the Operator, Engineer and Clay Road, no homes or commercial improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

THE DISTRICT

Description...

Harris County Municipal Utility District No. 287 (the "District") is a political subdivision of the State of Texas, created by an order of the Texas Commission on Environmental Quality (the "TCEQ") on July 29, 1985, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. At the time of its creation the District contained approximately 322 acres and subsequently annexed approximately 390 acres. The District currently consists of approximately 712 acres of land. See "THE DISTRICT."

Location...

The District is located approximately 25 miles west of the central downtown business district of the City of Houston, Texas in Harris County. The District lies wholly within the exclusive extraterritorial jurisdiction of the City of Houston and within the boundaries of the Katy Independent School District. The District is located along Texas State Highway 99 (the "Grand Parkway") and lies mostly north of Morton Road, south of Clay Road, and west of Mason Road. See "THE DISTRICT—Description and Location."

The Developers...

Clay Road has developed commercial tracts within the District and continues to own approximately 37 acres of commercial tracts.

Duke Realty Land, LLC, an Indiana limited liability company, ("Duke") owns approximately 78 acres of commercial tracts. Landmark Industries, LLC, ("Landmark") owns approximately 25 acres of commercial tracts. Approximately 3 of such acres are being developed by Landmark Industries Development, LLC, a Texas limited liability corporation, as a future gas station with an expected completion date of 3rd quarter 2020.

Clay Road, Duke and Landmark are collectively referred to herein as the "Developers". See "THE DEVELOPERS." Neither the Developers or any landowners are obligated to pay any principal of or interest on the Bonds. See "INVESTMENT CONSIDERATIONS—Dependence on Major Taxpayers" and "THE DEVELOPERS."

Status of Development...

The residential portion of the District has been developed as Waterstone and Morton Ranch, consisting of 1,156 lots on approximately 230 acres. As of January 28, 2020, homes had been constructed on all lots (1,149 occupied). Home values within the District range from approximately \$190,000 to \$350,000. See "THE DISTRICT—Land Use," and "—Status of Development."

The District includes approximately 213 acres of commercial/multi-family tracts served with utilities. On approximately 24 of such acres, the Grand Morton Town Center has been constructed which includes a Wal-Mart with gas facilities, a McDonald's, a Taco Bell and a retail strip center. A public storage facility has been constructed on approximately 2 acres of the developed commercial tracts and a second retail center has been constructed on approximately 5 acres. A third retail center, a convenience store, a Dairy Queen, and two auto service centers have also been constructed on approximately 12 acres. Construction of a 433,200 square foot industrial building on approximately 22 acres is nearing completion. In addition, a 340-unit apartment community has been constructed on approximately 15 acres and a 376-unit apartment community, located on approximately 15 acres, is under construction with expected completion and occupancy in August 2020.

The remainder of the District consists of approximately 12 acres of developable but undeveloped land and approximately 227 undevelopable acres. See "THE DISTRICT—Land Use" and "—Status of Development."

Payment Record... The District has previously issued six series of unlimited tax bonds for water, sewer and drainage facilities and one series of unlimited tax bonds for road facilities in the aggregate principal amount of \$45,565,000 of which \$41,180,000 principal amount remains outstanding (the “Outstanding Bonds”) as of the date hereof. The District has never defaulted on its debt service obligations.

Future Debt... The District has authorized preparation of a bond application to the TCEQ for approval to issue \$13,640,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing or acquiring water, wastewater, and drainage facilities. The District anticipates issuing such bonds, following TCEQ approval, in the fourth quarter of 2020.

THE BONDS

Description... The \$1,930,000 Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”) are being issued as fully registered bonds pursuant to a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the District’s Board of Directors (the “Board”). The Bonds are scheduled to mature serially on September 1 in each of the years 2021 through 2025, both inclusive, and 2028 through 2029, both inclusive, and as term bonds on September 1 in each of the years 2027 and 2035 (the “Term Bonds”) in the principal amounts and on the dates shown on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from June 1, 2020, and is payable September 1, 2020, and each March 1 and September 1 thereafter, until the earlier of maturity or prior redemption. See “THE BONDS.”

Book-Entry-Only... The Depository Trust Company (defined as “DTC”), New York, New York, 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 and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”

Redemption... Bonds maturing on or after September 1, 2027 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on September 1, 2026, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

Use of Proceeds... Proceeds from the sale of the Bonds, together with lawfully available debt service funds will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund and defease \$1,835,000 principal amount of the Outstanding Bonds in order to achieve net savings in the District’s annual debt service expense. See “PLAN OF FINANCING—Refunded Bonds.” The bonds to be refunded and discharged with Bond proceeds are referred to herein as the “Refunded Bonds.” After the issuance of the Bonds, \$39,345,000 principal amount of the Outstanding Bonds will remain outstanding (the “Remaining Outstanding Bonds”). See “FINANCIAL INFORMATION CONCERNING THE DISTRICT—Outstanding Bonds.”

Authority for Issuance... The Bonds are the first series of refunding bonds issued out of an aggregate of \$103,000,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of refunding outstanding debt. The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, City of Houston Ordinance No. 97-416, an election held within the District, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance.”

Source of Payment... Principal of and interest on the Bonds and the Remaining Outstanding Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City, Harris County, the State of Texas or any entity other than the District. See “THE BONDS—Source of Payment.”

*Municipal Bond Rating
and
Municipal Bond Insurance...*

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") and Moody's Investors Service (Moody's) will assign municipal bond ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, to this issue of Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp ("AGM" or the "Insurer"). Moody's has also assigned an underlying rating of "Baa1" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," MUNICIPAL BOND INSURANCE" and "APPENDIX B."

*Not Qualified Tax-Exempt
Obligations...*

The Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

Bond Counsel...

Allen Boone Humphries Robinson LLP, Houston, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS," and "TAX MATTERS."

Financial Advisor...

Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT."

Underwriter's Counsel...

McCall, Parkhurst & Horton L.L.P., Houston, Texas.

Paying Agent/Registrar...

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

Escrow Agent...

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "PLAN OF FINANCING—Escrow Agreement and Defeasance of the Refunded Bonds."

Verification Agent...

Public Finance Partners LLC, Rockford, Minnesota. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special INVESTMENT CONSIDERATIONS and all prospective purchasers are urged to examine carefully this entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2019 Certified Taxable Assessed Valuation.....	\$352,801,906	(a)
Estimated Taxable Assessed Valuation as of July 15, 2019	\$365,578,469	(b)
Gross Direct Debt Outstanding (the Bonds and the Remaining Outstanding Bonds)	\$41,275,000	(c)
Estimated Overlapping Debt	<u>18,025,076</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$59,300,076	
Ratios of Gross Direct Debt to:		
2019 Certified Taxable Assessed Valuation.....	11.70%	
Estimated Taxable Assessed Valuation as of July 15, 2019.....	11.29%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2019 Certified Taxable Assessed Valuation.....	16.81%	
Estimated Taxable Assessed Valuation as of July 15, 2019.....	16.22%	
Debt Service Funds Available as of April 20, 2020		
Water, Sewer and Drainage Debt Service Funds	\$2,780,054	(e)(f)
Road Debt Service Funds	1,250,405	(e)
Total Debt Service Funds Available.....	\$4,030,459	
Operating Funds Available as of April 20, 2020.....	\$7,412,539	
Water, Sewer and Drainage Capital Projects Funds Available as of April 20, 2020.....	\$801,444	
2019 Debt Service Tax Rate	\$0.80	
2019 Maintenance Tax Rate	<u>0.36</u>	
Total Tax Rate	\$1.16	
Average Annual Debt Service Requirement (2021-2044).....	\$2,197,715	(g)
Maximum Annual Debt Service Requirement (2021).....	\$3,050,489	(g)
Tax Rates Required to Pay Average Annual Debt Service (2021-2044) at a 95% Collection Rate		
Based upon 2019 Certified Taxable Assessed Valuation	\$0.66	(h)
Based upon Estimated Taxable Assessed Valuation as of July 15, 2019.....	\$0.64	(h)
Tax Rates Required to Pay Maximum Annual Debt Service (2021) at a 95% Collection Rate		
Based upon 2019 Certified Taxable Assessed Valuation.....	\$0.92	(h)
Based upon Estimated Taxable Assessed Valuation as of July 15, 2019.....	\$0.88	(h)
Status of Development as of January 28, 2020 (i):		
Homes Completed (1,149 Occupied)	1,156	
Multi-Family (340 units complete and 316 units under construction)	716	
Commercial.....	(h)	
Estimated Population.....	4,702	(j)

- (a) As certified by the Harris County Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on July 15, 2019. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2019 and July 15, 2019, will be certified as of January 1, 2020 and provided for purposes of taxation in the summer of 2020. See "TAXING PROCEDURES."
- (c) After the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
- (d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
- (e) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a pro rata portion of the District's ad valorem tax revenue will be allocated to the District's outstanding bonds issued for water, sewer and drainage facilities, including the Bonds, and a pro rata portion will be allocated to the District's outstanding bonds issued for road facilities. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds." Water, Sewer and Drainage Debt Service Funds are available to pay debt service on the District's bonds issued for water, sanitary sewer and drainage facilities (including the Bonds) and are not available to pay debt service on the District's bonds issued for road facilities. Neither Texas law nor any bond resolution (including the Bond Resolution) requires the District to maintain any minimum balance of Water, Sewer and Drainage Debt Service Funds. Road Debt Service Funds are available to pay debt service on the District's bonds issued for road facilities and are not available to pay debt service on the District's bonds issued for water, sanitary sewer and drainage facilities (including the Bonds). Neither Texas law nor any bond resolution requires the District to maintain any minimum balance of Road Debt Service Funds.
- (f) The District will contribute \$35,000 of available debt service funds towards the purpose for which the Bonds are being issued. See "PLAN OF FINANCING—Sources and Uses of Funds."
- (g) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (h) See "TAX DATA—Tax Adequacy for Debt Service."
- (i) See "THE DISTRICT—Land Use" and "—Status of Development," including description of commercial properties and multi-family development.
- (j) Based upon 3.5 persons per occupied single-family residence and 2 persons per completed multi-family unit.

OFFICIAL STATEMENT

\$1,930,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 287
(A political subdivision of the State of Texas located within Harris County)

UNLIMITED TAX REFUNDING BONDS SERIES 2020

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Harris County Municipal Utility District No. 287 (the “District”) of its \$1,930,000 Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, City of Houston Ordinance No. 97-416, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, an election held within the District and a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”). See “THE BONDS—Authority for Issuance.”

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, Clay Road 628 Development LP (“Clay Road”), Duke Realty Land, LLC (“Duke”), Landmark Industries, LLC (“Landmark”) and development activity in the District. Clay Road, Duke and Landmark are collectively referred to herein as the “Developers.” All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027 upon payment of duplication costs therefor.

PLAN OF FINANCING

Purpose

The proceeds of the Bonds and lawfully available debt service funds will be used to currently refund and defease a portion of the District’s Unlimited Tax Bonds, Series 2011, totaling an aggregate principal amount of \$1,835,000 (the “Refunded Bonds”) in order to achieve a net savings in the District’s debt service expense. See “Refunded Bonds” herein. The proceeds will also be used to pay the costs of issuance of the Bonds. See “Sources and Uses of Funds” herein. A total of \$39,345,000 in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the “Remaining Outstanding Bonds”). See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNADUDITED)—Outstanding Bonds.”

Refunded Bonds

Proceeds of the Bonds, together with lawfully available debt service funds will be applied to currently refund and defease the Refunded Bonds in the principal amounts and with maturity dates set forth below and to pay certain costs of issuing the Bonds.

<u>Maturity Date</u> <u>September 1</u>	<u>Series</u> <u>2011</u>
2021	\$ 80,000
2022	85,000
2023	90,000
2024	95,000
2025	100,000
2026	105,000
2027	110,000
2028	120,000
2029	125,000
2030	135,000
2031	140,000
2032	150,000
2033	160,000
2034	165,000
2035	175,000
	<u>\$ 1,835,000</u>
Redemption Date	September 1, 2020

Escrow Agreement and Defeasance of the Refunded Bonds

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

The Bond Resolution provides that the District and the Escrow Agent will enter into an escrow agreement (the “Escrow Agreement”) to provide for the discharge and defeasance of the of Refunded Bonds. The Bond Resolution further provides that from the proceeds of the sale of the Bonds and other available funds of the District, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the “Escrow Fund”) and used to purchase United States Treasury Obligations (the “Escrowed Obligations”). At the time of delivery of the Bonds, Public Finance Partners LLC, will verify to the District, the Escrow Agent and the Underwriter that the Escrowed Obligations are sufficient in principal amount and are scheduled to mature at such times and to yield interest in such amounts, together with uninvested funds, if any, in the Escrow Fund, to pay, when due, the principal of and interest on the Refunded Bonds. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.” Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds or the Remaining Outstanding Bonds. By the deposit of the Escrowed Obligations and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior 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 and invested in the Escrow Fund will constitute firm banking and financial arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds exclusive of accrued interest, together with available debt service funds will be applied as follows:

Sources of Funds:

Principal Amount of the Bonds	\$1,930,000.00
Plus: Premium on the Bonds.....	52,802.45
Plus: Transfer from Debt Service Fund	<u>35,000.00</u>
Total Sources of Funds.....	\$2,017,802.45

Uses of Funds:

Deposit to Escrow Fund.....	\$1,885,804.40
Issuance Expenses and Underwriters' Discount (a).....	<u>131,998.05</u>
Total Uses of Funds	\$2,017,802.45

(a) Includes municipal bond insurance premium.

THE BONDS

Description

The Bonds will be dated and accrue interest from June 1, 2020, with interest payable each September 1 and March 1, beginning September 1, 2020 (the "Interest Payment Date"), and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

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

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

Source of Payment

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

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

Funds

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

The District also maintains a Road Debt Service Fund that is not pledged to the outstanding water/sewer/drainage bonds or the Bonds. Funds in the Road Debt Service Fund are not available to pay principal and interest on the Bonds and funds in the Water/Sewer/Drainage Debt Service Fund are not available to pay principal and interest on bonds issued to finance road facilities.

Accrued interest on the Bonds shall be deposited into the Water/Sewer/Drainage Debt Service Fund upon receipt. Any monies remaining after the refunding of the Refunded Bonds and payment of issuance costs will be deposited into the Water/Sewer/Drainage Debt Service Fund.

No Arbitrage

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

Redemption Provisions

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2027, prior to their scheduled maturities, in whole or from time-to-time in part, in integral multiples of \$5,000 on September 1, 2026, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption.

Mandatory Redemption: The Bonds due on September 1 in each of the years 2027 and 2035 (the “Term Bonds”) are also subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on September 1 in the years (“Mandatory Redemption Dates”) and in the amounts set forth below, subject to proportionate reduction at a redemption price of par plus accrued interest to the date of redemption:

\$245,000 Term Bonds		\$880,000 Term Bonds	
Due September 1, 2027		Due September 1, 2035	
Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
2026	\$ 120,000	2030	\$ 140,000
2027 (maturity)	125,000	2031	140,000
		2032	145,000
		2033	150,000
		2034	150,000
		2035 (maturity)	155,000

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

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefore a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

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

When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Authority for Issuance

At a bond election held within the District, voters of the District have authorized the issuance of \$103,000,000 principal amount of unlimited tax bonds for the purpose of refunding outstanding debt. The Bonds are issued pursuant to such authorization. See "Issuance of Additional Debt" herein.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, City of Houston Ordinance No. 97-416, an election held within the District, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution.

In the event the Book-Entry-Only System should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

Lost, Stolen or Destroyed Bonds

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

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

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a national or state banking institution, a corporation 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, to act as Paying Agent/Registrar for the Bonds.

Issuance of Additional Debt

The District's voters have authorized the issuance of \$103,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, wastewater, and drainage facilities, \$5,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities, \$10,000,000 principal amount of unlimited tax bonds for constructing road facilities and \$103,000,000 principal amount of unlimited tax bonds for refunding outstanding bonds and could authorize additional amounts. After issuance of the Bonds, \$67,435,000 principal amount of unlimited tax bonds will remain authorized but unissued for constructing or acquiring water, wastewater, and drainage facilities and \$102,905,000 principal amount of the unlimited tax refunding bonds will remain authorized but unissued. The District has authorized preparation of a bond application to the TCEQ for approval to issue \$13,640,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing or acquiring water, wastewater, and drainage facilities. The District anticipates issuing such bonds, following TCEQ approval, in the fourth quarter of 2020. The District has no remaining authorization unissued for unlimited tax bonds authorized for road facilities, and all of the bonds authorized for parks and recreational facilities remain authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "INVESTMENT CONSIDERATIONS—Future Debt."

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

If additional debt obligations are issued in the future by the District such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

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

Strategic Partnership Agreement

Effective June 5, 2014, the District entered into a Strategic Partnership Agreement (the “SPA”) with the City of Houston pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a “limited purpose annexation” of a portion of the land within the District that is planned to be developed for retail and commercial purposes. The SPA provides that the City of Houston will not annex the District for “full purposes” for thirty (30) years from the date of the SPA. The SPA also provides that the City of Houston will impose a one percent (1%) retail City of Houston Sales Tax within the portion of land annexed for limited purposes of which the District would receive one-half. However, that portion of land is within the boundaries of an Emergency Services District that purportedly has priority to collect the sales tax that would otherwise be available to the City of Houston. Since the City of Houston will not be collecting such tax, the District will not be receiving any sales tax revenue through the SPA. In any event, no sales tax revenue from the SPA is pledged toward the payment of principal and interest on the Bonds.

Consolidation

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

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created or confirmed in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government’s sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District’s property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See “INVESTMENT CONSIDERATIONS—Registered Owners’ Remedies and Bankruptcy Limitations.”

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 might 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) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to the investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating from S&P Global Ratings 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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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

THE DISTRICT

General

The District is a political subdivision of the State of Texas, created by an order of the Texas Water Commission, now known as the TCEQ, dated July 29, 1985. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 and Article II, Section 52 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended. At the time of its creation, the District contained approximately 322 acres and subsequently annexed approximately 390 acres. The District currently contains approximately 712 acres of land.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District is also empowered to construct thoroughfare, arterial, and collector roads and improvements in aid thereof and to establish parks and recreational facilities. The District may issue bonds and other forms of indebtedness to purchase or construct all of such facilities. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the City of Houston, the TCEQ and the voters of the District. See "THE BONDS—Issuance of Additional Debt."

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent for creation from the City of Houston, within whose extraterritorial jurisdiction the District lies, the District is required to observe certain requirements of the City of Houston which: limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, drainage, road and recreational facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; and require certain public facilities to be designed in accordance with applicable City of Houston standards. Construction and operation of the District' s system is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM—Regulation."

The District is located in Harris County approximately 25 miles west of the central downtown business district of the City of Houston. The District lies wholly within the extraterritorial jurisdiction of the City of Houston and within the boundaries of Katy Independent School District. The District is located along Texas State Highway 99 (the "Grand Parkway") and lies mostly north of Morton Road, south of Clay Road, and west of Mason Road.

Land Use

The District currently includes approximately 230 developed acres of single-family residential development (1,156 lots), 227 undevelopable acres (drainage and pipeline easements, detention, open spaces, roads, utility sites), approximately 243 acres of commercial/multi-family tracts, and approximately 12 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities. The table below represents a detailed breakdown of the current acreage and development in the District. The following table has been provided by the Engineer and represents the current land use within the District.

	Approximate <u>Acres</u>	<u>Lots</u>
<i><u>Single-Family Residential</u></i>		
<i>Morton Ranch:</i>		
Section Five	18	91
Section Six	12	70
Section Seven	18	100
Section Eight	13	90
<i>Waterstone:</i>		
Section One	22	111
Section Two	12	59
Section Three	16	60
Section Four	13	65
Section Five	26	123
Section Six	10	51
Section Seven	11	42
Section Eight	8	39
Section Nine	10	50
Section Ten	12	60
Section Eleven	7	40
Section Twelve	11	52
Section Thirteen	<u>11</u>	<u>53</u>
Subtotal.....	230	1,156
<i><u>Commercial (a)</u></i>	213	---
<i><u>Multi-Family (b)</u></i>	30	---
<i><u>Future Development(c)</u></i>	12	---
<i><u>Undevelopable (d)</u></i>	<u>227</u>	---
District Total.....	<u>712</u>	1,156

(a) See “Status of Development-Commercial Development” below.

(b) See “Status of Development- Multi-Family” below.

(c) Developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities.

(d) Includes public rights-of-way, detention, open spaces, easements, and utility sites.

Status of Development

Single-Family Residential: The residential portion of the District has been developed as Waterstone and Morton Ranch, consisting of 1,156 lots on approximately 230 acres. As of January 28, 2020, homes had been constructed on all lots (1,149 occupied). Home values within the District range from approximately \$190,000 to \$350,000. The estimated population of the District, based up on 3.5 persons per occupied residence and 2 persons per completed multi-family unit, is 4,702.

Commercial Development: The District includes approximately 213 acres of commercial tracts served with utilities. On approximately 24 acres, the Grand Morton Town Center has been constructed which includes a Wal-Mart with gas facilities, a McDonald’s, a Taco Bell and a retail strip center. A public storage facility has been constructed on approximately 2 acres of the developed commercial tracts and a second retail center has been constructed on approximately 5 acres. A third retail center, a convenience store, a Dairy Queen, and two auto service centers have also been constructed on approximately 12 acres. Construction of a 433,200 square foot industrial building on approximately 22 acres is nearing completion.

Multi-Family: A 340-unit apartment community has been constructed on approximately 15 acres and a 376-unit apartment community, located on approximately 15 acres, is under construction with expected completion and occupancy in August 2020.

Future Development

The District is currently planned as a mixed-use, single-family residential, multi-family and commercial development. The District includes approximately 243 acres of developable tracts west of the Grand Parkway that have been provided with trunk utilities necessary for the construction of taxable improvements, including approximately 213 acres of commercial tracts and approximately 30 acres for multi-family development. See “Status of Development” above. Approximately 12 developable acres of land currently within the District are not yet served with water distribution and supply, wastewater collection and treatment, or storm drainage facilities. While the Developers anticipate future development of this acreage as business conditions warrant there can be no assurances if and when any of such undeveloped land will ultimately be developed. See “THE DEVELOPERS.” After reimbursement with Bond proceeds, the District will continue to owe the Developers funds advanced to construct water, sewer and drainage facilities, and recreational facilities in the District. The District anticipates issuing additional bonds to fully reimburse such Developers for such facilities and to accomplish full development of the District. See “THE BONDS—Issuance of Additional Debt,” “INVESTMENT CONSIDERATIONS—Future Debt,” “THE ROAD SYSTEM,” and “THE SYSTEM.” The Engineer has stated that under regulatory criteria and current development plans (and excluding any costs of converting to surface water), the remaining authorized but unissued bonds (\$73,135,000) should be sufficient to finance the construction of facilities to complete the District’s water, sewer, drainage and recreation system for full development of the District.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held in May in even numbered years only. None of the members of the Board resides in the District; however, all of the members own land within the District, subject to a deed of trust and a note in favor of a developer. Directors have staggered four-year terms. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
Frank Sheehy	President	May 2024
Dinh Ho	Vice President	May 2024
Al Secor	Secretary	May 2022
James Grisham	Assistant Secretary	May 2022
Claudine Pacioni	Assistant Vice President	May 2022

District Consultants

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

Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's Bonds. The fees of the attorneys in their capacity as Bond Counsel are payable from proceeds of the sale of the Bonds and contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

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

Auditor: The financial statements of the District as of March 31, 2019, and for the year then ended, have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District's March 31, 2019 financial statements. McGrath & Co., PLLC has been engaged to audit the District’s financial statements for the fiscal year ended March 31, 2020.

Engineer: The District's consulting engineer is BGE, Inc.

Bookkeeper: The District has contracted with McLennan & Associates, Inc. for bookkeeping services (the “Bookkeeper”).

Utility System Operator: The operator of the District's internal water and wastewater system is Environmental Development Partners, LLC. See “THE SYSTEM.”

Tax Appraisal: The Harris County Appraisal District has the responsibility of appraising all property within the District. See “TAXING PROCEDURES.”

Tax Assessor/Collector: Tax Tech, Inc. serves as the District’s tax assessor/collector. The information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the District's assessed valuations and certain other historical data concerning tax rates and tax collections has been provided by Tax Tech, Inc. and is included herein in reliance upon the authority of such individual as an expert in assessing property values and collecting taxes.

THE DEVELOPERS

Role of a Developer

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

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

Clay Road 628 Development LP

Clay Road 628 Development LP (“Clay Road”), a Texas limited partnership, has developed commercial tracts within the District and continues to own approximately 37 acres of commercial tracts within the District.

Duke Realty Land, LLC

Duke Realty Land, LLC, an Indiana limited liability company, (“Duke”) owns approximately 78 acres of commercial tracts within the District. Construction of a 433,200 square foot industrial building on approximately 22 of such acres is nearing completion.

Landmark Industries, LLC

Landmark Industries, LLC (“Landmark”) owns approximately 25 acres of commercial tracts within the District. Approximately 3 of such acres are being developed by Landmark Industries Development, LLC, a Texas limited liability corporation, as a future gas station with an expected completion date of 3rd quarter 2020.

THE SYSTEM

Regulation

Construction and operation of the District's water, sewer and drainage system (the “System”) as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Withdrawal of ground water and the issuance of water well permits is subject to the regulatory authority of the Harris-Galveston Subsidence District where applicable (see “Water Supply” and “Subsidence and Conversion to Surface Water Supply” below). Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District. Harris County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the District's System.

Water Supply

The District receives potable water from Harris County Municipal Utility District No. 71 (“MUD 71”) as outlined in the Joint Water Facilities and Cost Sharing Agreement, as amended, (the “Water Agreement”). The District does not have any wells or water plant facilities of its own but has a contractual right to capacity in both the existing MUD 71 facilities and certain additional facilities that are to be constructed pursuant to the Water Agreement. Future phases of the shared facilities are funded, in part, by the District. Construction costs for future water supply improvements will be paid on a pro rata basis between the District and MUD 71 as provided in the Water Agreement. The available water supply is capable of serving 8,750 equivalent single-family connections, which is sufficient to serve existing development in the District and MUD 71. As of April 1, 2020, the District was serving 1,606 active connections.

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 Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. In 2001, the Texas legislature created the West Harris County Regional Water Authority (“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 District is located within the boundaries of the Authority. The Authority has entered into a Water Supply Contract with the City of Houston, Texas 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 groundwater well(s) providing water to the District are included within the Authority's GRP. The authority to pump groundwater from such well(s) is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in the Authority's GRP.

The Authority, among other powers, has the power to (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including the fees to be paid by MUD 71 and the District for groundwater pumped by MUD 71 or for surface water received by MUD 71 and the District from the Authority), user fees, rates, and charges as necessary to accomplish its purposes; and (iii) mandate water users, including MUD 71 and the District, to convert from groundwater to surface water. The Authority currently charges MUD 71, which charges the District its allocable share, and other major groundwater users a fee per 1,000 gallons based on the amount of groundwater pumped by MUD 71 and a fee per 1,000 gallons of surface water, if any, received from the Authority by MUD 71 for MUD 71 and the District. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2035 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty per 1,000 gallons (“Disincentive Fees”) imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total annual water demand in the Authority's GRP within Harris County. 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 impose monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges which may be due the Authority in the future, but anticipates the need to continue passing such fees through to its customers: (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.

Wastewater Treatment

The District currently leases three interim packages for its wastewater treatment, which provide 800,000 gallons per day (“gpd”) and are sufficient to serve 3,200 equivalent single-family connections. The District also receives wastewater treatment services for approximately 81 acres in the District (within the Morton Ranch subdivisions) from MUD 71 as outlined in the Joint Wastewater Treatment Facilities and Cost Sharing Agreement, as amended, (the “Wastewater Agreement”). Under the Wastewater Agreement, capacity from MUD 71 is reserved through the payment of a connection fee of \$1,260 per equivalent single-family connection. The District has purchased 351 equivalent single-family connections which is sufficient for the 81 acres served. As of April 1, 2020, the District was serving a total of 1,606 equivalent single-family connections.

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 1,156 single-family residential lots and 243 acres of commercial/multi-family tracts within the District. See “THE DISTRICT—Land Use.”

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 rainstorm 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.

According to the Engineer, none of the currently developed acreage or the undeveloped but developable acreage within the District is located within the 100-year flood plain. All of the acreage within the District is outside the 100-year flood plain as reflected on the current flood plain maps. See “INVESTMENT CONSIDERATIONS—Hurricane Harvey.”

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Water and Wastewater Operations

The Bonds are payable solely from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Nevertheless, net revenues from operations of the District's water and wastewater system, if any, are available for any legal purpose, including the payment of debt service on the Bonds, upon Board action. However, it is not anticipated that net revenues will be used or would be sufficient to pay debt service on the Bonds.

The following statement sets forth, in condensed form, the General Operating Fund for the District as shown in the District's audited financial statements for the fiscal years ended March 31, 2016 through 2019 and an unaudited summary for the period ended February 29, 2020, prepared by the District's bookkeeper. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	4/1/2019 to 2/29/2020 (a)	Fiscal Year Ended March 31			
		2019	2018	2017	2016
Revenues:					
Water Service	\$ 432,183	\$ 449,749	\$ 444,945	\$ 434,387	\$ 412,312
Sewer Service	592,902	625,138	611,614	613,714	569,020
Property Taxes	1,108,079	1,476,891	1,064,479	1,144,682	886,954
Penalty and Interest	33,342	25,955	26,641	25,246	36,474
Surface Water Fees	369,043	344,774	324,011	274,927	226,735
Tap Connection and Inspection	877,251	209,601	111,400	337,444	297,846
Miscellaneous	36,815	49,700	54,832	36,951	28,792
Investment Earnings	110,539	102,553	39,214	13,071	7,728
Total Revenues	\$ 3,560,154	\$ 3,284,361	\$ 2,677,136	\$ 2,880,422	\$ 2,465,861
Expenditures:					
Purchased Services	\$ 424,598	\$ 466,154	\$ 405,472	\$ 398,093	\$ 380,637
Professional Fees	239,816	204,980	187,292	211,777	221,683
Contracted Services	266,372	403,594	355,859	421,126	419,416
Repairs and Maintenance	416,978	366,428	267,010	375,874	308,106
Utilities	45,812	41,334	28,689	29,089	27,503
Leases	402,300	381,200	220,200	220,200	203,700
Administrative	32,394	72,335	59,263	48,836	50,089
Other	233,751	21,892	22,470	35,121	37,046
Capital Outlay	34,279	396,559	1,116,212 (b)	52,427	184,541
Total Expenditures	\$ 2,096,300	\$ 2,354,476	\$ 2,662,467	\$ 1,792,543	\$ 1,832,721
NET REVENUES	\$ 1,463,854	\$ 929,885	\$ 14,669	\$ 1,087,879	\$ 633,140
Other Financing Sources (Uses)					
Internal Transfer	\$ -	\$ 74,103	\$ -	\$ 231,814	\$ -
General Operating Fund Balance (Beginning of Year)	\$ 6,004,924	\$ 5,000,936	\$ 4,986,267	\$ 3,666,574	\$ 3,033,434
General Operating Fund Balance (End of Year)	\$ 7,468,778	\$ 6,004,924	\$ 5,000,936	\$ 4,986,267	\$ 3,666,574

(a) Unaudited. Provided by the bookkeeper.

(b) Related to expenditures for Water Plant No. 1 and 2 improvements, Wastewater Plant improvements, Grand Parkway Phase 2 construction and lift station generators.

THE ROAD SYSTEM

All roads are designed and constructed in accordance with Harris County and City of Houston standards, rules, and regulations. Upon acceptance by the Harris County or the Texas Transportation Commission ("TxDOT"), as applicable, of roads or road facilities, the Harris County or TxDOT, as applicable, is responsible for operation and maintenance thereof. These roads lies within public rights-of-way. In addition to the roadway, public utilities such as underground water, sewer, and drainage facilities are located within the right-of-way. The right-of-way is also shared by streetlights, sidewalks, and franchise utilities (power, gas, telephone and cable).

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2019 Certified Taxable Assessed Valuation.....	\$352,801,906	(a)
Estimated Taxable Assessed Valuation as of July 15, 2019	\$365,578,469	(b)
Gross Direct Debt Outstanding (the Bonds and the Remaining Outstanding Bonds)	\$41,275,000	(c)
Estimated Overlapping Debt	<u>18,025,076</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$59,300,076	
Ratios of Gross Direct Debt to:		
2019 Certified Taxable Assessed Valuation.....	11.70%	
Estimated Taxable Assessed Valuation as of July 15, 2019.....	11.29%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2019 Certified Taxable Assessed Valuation.....	16.81%	
Estimated Taxable Assessed Valuation as of July 15, 2019.....	16.22%	
Debt Service Funds Available as of April 20, 2020		
Water, Sewer and Drainage Debt Service Funds	\$2,780,054	(e) (f)
Road Debt Service Funds	<u>1,250,405</u>	(e)
Total Debt Service Funds Available.....	\$4,030,459	
Operating Funds Available as of April 20, 2020.....	\$7,412,539	
Water, Sewer and Drainage Capital Projects Funds Available as of April 20, 2020.....	\$801,444	

- (a) As certified by the Harris County Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on July 15, 2019. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2019 and July 15, 2019, will be certified as of January 1, 2020 and provided for purposes of taxation in the summer of 2020. See "TAXING PROCEDURES."
- (c) After the issuance of the Bonds. See "—Outstanding Bonds" herein.
- (d) See "—Estimated Overlapping Debt" herein.
- (e) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a pro rata portion of the District's ad valorem tax revenue will be allocated to the District's outstanding bonds issued for water, sewer and drainage facilities, including the Bonds, and a pro rata portion will be allocated to the District's outstanding bonds issued for road facilities. See "—Outstanding Bonds" herein. Water, Sewer and Drainage Debt Service Funds are available to pay debt service on the District's bonds issued for water, sanitary sewer and drainage facilities (including the Bonds) and are not available to pay debt service on the District's bonds issued for road facilities. Neither Texas law nor any bond resolution (including the Bond Resolution) requires the District to maintain any minimum balance of Water, Sewer and Drainage Debt Service Funds. Road Debt Service Funds are available to pay debt service on the District's bonds issued for road facilities and are not available to pay debt service on the District's bonds issued for water, sanitary sewer and drainage facilities (including the Bonds). Neither Texas law nor any bond resolution requires the District to maintain any minimum balance of Road Debt Service Funds.
- (f) The District will contribute \$35,000 of available debt service funds towards the purpose for which the Bonds are being issued. See "PLAN OF FINANCING—Sources and Uses of Funds."

Investments of the District

The District has adopted an Investment Policy pursuant to the Public Funds Investment Act, Chapter 2256, Texas Government Code. As specified in its Investment Policy, the District maintains an investment strategy that emphasizes, in order of priority, preservation and safety of principal, liquidity, diversification, and yield. The Investment Policy provides, among other things, the principles and criteria by which the funds of the District are invested and is reviewed by the District annually.

Outstanding Bonds

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

Series	Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds	Remaining Outstanding Bonds
2011	\$ 2,400,000	\$ 1,910,000	\$ 1,835,000	\$ 75,000
2012	3,660,000	3,050,000	-	3,050,000
2014	4,165,000	3,685,000	-	3,685,000
2015	10,000,000	8,740,000	-	8,740,000
2016	8,675,000	7,585,000	-	7,585,000
2017 Road	10,000,000	9,545,000	-	9,545,000
2019	6,665,000	6,665,000	-	6,665,000
Total	\$ 45,565,000	\$ 41,180,000	\$ 1,835,000	\$ 39,345,000
The Bonds				1,930,000
The Bonds and Remaining Outstanding Bonds				\$ 41,275,000

Debt Service Requirements

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$1,835,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Less: Debt Service on the Refunded Bonds	Plus: Debt Service on the Bonds			Total Debt Service Requirements
			Principal	Interest	Total	
2020	\$ 2,459,587.49 (a)	\$ 51,168.13		\$ 15,825.00	\$ 15,825.00	\$ 2,424,244.37
2021	3,069,525.00	182,336.25	\$ 100,000	63,300.00	163,300.00	3,050,488.75
2022	3,029,005.00	183,336.25	105,000	59,300.00	164,300.00	3,009,968.75
2023	2,978,255.00	184,086.25	110,000	55,100.00	165,100.00	2,959,268.75
2024	2,932,505.00	184,586.25	110,000	50,700.00	160,700.00	2,908,618.75
2025	2,893,785.00	184,646.25	115,000	46,300.00	161,300.00	2,870,438.75
2026	2,864,500.00	184,396.25	120,000	41,700.00	161,700.00	2,841,803.75
2027	2,828,110.00	183,883.75	125,000	38,100.00	163,100.00	2,807,326.25
2028	2,799,795.00	187,943.75	130,000	34,350.00	164,350.00	2,776,201.25
2029	2,767,987.50	186,343.75	135,000	30,450.00	165,450.00	2,747,093.75
2030	2,729,245.00	189,343.75	140,000	26,400.00	166,400.00	2,706,301.25
2031	2,692,151.25	186,412.50	140,000	22,200.00	162,200.00	2,667,938.75
2032	2,655,611.25	188,187.50	145,000	18,000.00	163,000.00	2,630,423.75
2033	2,617,193.75	189,375.00	150,000	13,650.00	163,650.00	2,591,468.75
2034	2,571,343.75	184,975.00	150,000	9,150.00	159,150.00	2,545,518.75
2035	2,532,775.00	185,281.25	155,000	4,650.00	159,650.00	2,507,143.75
2036	2,306,625.00	-	-	-	-	2,306,625.00
2037	2,264,693.75	-	-	-	-	2,264,693.75
2038	1,956,100.00	-	-	-	-	1,956,100.00
2039	1,903,362.50	-	-	-	-	1,903,362.50
2040	1,564,818.75	-	-	-	-	1,564,818.75
2041	292,825.00	-	-	-	-	292,825.00
2042	285,868.75	-	-	-	-	285,868.75
2043	278,912.50	-	-	-	-	278,912.50
2044	271,956.25	-	-	-	-	271,956.25
Total	\$ 55,546,537.49	\$ 2,836,302	\$ 1,930,000	\$ 529,175.00	\$ 2,459,175.00	\$ 55,169,410.62

(a) Excludes the District's March 1, 2020 debt service payment in the amount of \$646,491.68

Average Annual Debt Service Requirements (2021-2044)\$2,197,715
Maximum Annual Debt Service Requirement (2021)\$3,050,489

Estimated Overlapping Debt

The following table indicates the outstanding debt payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Overlapping</u>	
			<u>Percent</u>	<u>Amount</u>
Harris County.....	\$ 1,885,182,125	2/29/2020	0.08%	\$ 1,508,146
Harris County Flood Control District.....	83,075,000	2/29/2020	0.08%	66,460
Harris County Hospital District.....	55,005,000	2/29/2020	0.08%	44,004
Harris County Department of Education.....	6,320,000	2/29/2020	0.08%	5,056
Port of Houston Authority.....	572,569,397	2/29/2020	0.08%	458,056
Katy Independent School District.....	1,752,016,959	2/29/2020	0.91%	15,943,354
Total Estimated Overlapping Debt.....				\$18,025,076
The District.....	41,275,000	(a)	100.00%	41,275,000
Total Direct and Estimated Overlapping Debt.....				\$59,300,076

Direct and Estimated Overlapping Debt as a Percentage of:

2019 Taxable Assessed Valuation of \$352,801,906.....	16.81%
Estimated Taxable Assessed Valuation as of July 15, 2019 of \$365,578,469.....	16.22%

(a) The Bonds and the Remaining Outstanding Bonds.

Overlapping Taxes

Set forth below is a summary of taxes levied for the 2019 tax year by all entities overlapping the District and the 2019 tax rate of the District. None of the other entities below have adopted a 2019 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	<u>2019 Tax Rate per \$100 of Taxable Assessed Valuation</u>
Harris County (a).....	\$ 0.61670
Harris County Emergency Services District No. 48.....	0.10000
Katy Independent School District.....	<u>1.44300</u>
Total Overlapping Tax Rate.....	\$ 2.15970
The District.....	<u>1.16000</u>
Total Tax Rate.....	\$ 3.31970

(a) Includes Harris County, Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education and the Port Authority of Houston.

TAX DATA

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See “Historical Tax Rate Distribution” and “Tax Roll Information” below, and “TAXING PROCEDURES.”

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District’s water, sewer and drainage system and roads, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted November 7, 2006 and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 of taxable assessed valuation for utility maintenance. At an election held within the District on November 8, 2011, voters authorized the Board to levy a maintenance tax for operation and maintenance costs of road facilities at a rate not to exceed \$0.25 per \$100 of taxable assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.

Historical Tax Rate Distribution

	2019	2018	2017	2016	2015
Debt Service	\$ 0.80	\$ 0.81	\$ 0.86	\$ 0.80	\$ 0.83
Maintenance and Operations	0.36	0.36	0.36	0.47	0.52
Total	\$ 1.16	\$ 1.17	\$ 1.22	\$ 1.27	\$ 1.35

Additional Penalties

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

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District for the years 2015 through 2019. Such table has been prepared for inclusion herein, based upon information obtained from the District’s Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See “Tax Roll Information” below.

Tax Year	Certified Taxable			Total Collections as of March 31, 2020 (b)	
	Assessed Valuation (a)	Tax Rate	Total Tax Levy	Amount	Percent
2015	\$ 179,236,898	\$ 1.35	\$ 2,419,669	\$ 2,419,450	99.99%
2016	230,540,749	1.27	2,927,768	2,925,157	99.91%
2017	295,048,391	1.22	3,599,590	3,592,247	99.80%
2018	332,281,333	1.17	3,887,691	3,872,061	99.60%
2019	352,801,906	1.16	4,093,510	3,796,126	92.74%

(a) As certified by the Appraisal District less any exemptions granted. See “Tax Roll Information” below for exemptions granted by the District.
 (b) Unaudited.

Tax Roll Information

The District’s assessed value as of January 1 of each year is used by the District in establishing its tax rate (see “TAXING PROCEDURES—Valuation of Property for Taxation”). The following represents the composition of property comprising the 2015 through 2019 Certified Taxable Assessed Valuations. A breakdown of the Estimated Taxable Assessed Valuation as of July 15, 2019, of \$365,578,469 is not available. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

Tax Year	Type of Property			Gross Assessed Valuations	Defrements and Exemptions(a)	Net Assessed Valuations
	Land	Improvements	Personal Property			
2015	\$47,249,838	136,437,963	2,360,386	\$ 186,048,187	\$ (6,811,289)	\$ 179,236,898
2016	50,778,309	184,948,157	2,239,782	237,966,248	(7,425,499)	230,540,749
2017	87,363,192	213,726,237	2,202,174	303,291,603	(8,243,212)	295,048,391
2018	97,204,780	232,065,301	11,597,330	340,867,411	(8,586,078)	332,281,333
2019	110,125,845	237,726,571	14,691,700	362,544,116	(9,742,210)	352,801,906

(a) See “TAXING PROCEDURES—Property Subject to Taxation by the District.”

Principal Taxpayers

The following table represents the ten principal taxpayers, the taxable assessed valuation of such property, and such property’s taxable assessed valuation as a percentage of the 2019 Certified Taxable Assessed Valuation of \$352,801,906. A principal taxpayer list related to the Estimated Taxable Assessed Valuation as of July 15, 2019, of \$365,578,469 is not available.

Taxpayer	2019 Certified Taxable Assessed Valuation	% of 2019 Certified Taxable Assessed Valuation
A-S 129 Grand Parkway-Morton Ranch Road	\$ 32,533,480	9.22%
Clay Road 628 Investments (a)	12,277,718	3.48%
Walmart #4512	9,462,921	2.68%
PS LPT Properties Investors	8,788,460	2.49%
Peek Project Ltd.	7,761,913	2.20%
Landmark Industries (a)	7,739,478	2.19%
BLZ Clay 99 LP	4,498,388	1.28%
Meadowhill Plaza LTD	3,740,739	1.06%
GNM Interests LP	3,662,335	1.04%
Robins Katy LLC	3,456,067	0.98%
Total	\$ 93,921,499	26.62%

(a) See “THE DEVELOPERS.”

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District’s tax base occurred beyond the 2019 Certified Taxable Assessed Valuation of \$352,801,906 or the Estimated Taxable Assessed Valuation as of July 15, 2019, of \$365,578,469. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Remaining Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”

Average Annual Debt Service Requirement (2021-2044)	\$2,197,715
\$0.66 Tax Rate on 2019 Certified Taxable Assessed Valuation.....	\$2,212,068
\$0.64 Tax Rate on Estimated Taxable Assessed Valuation as of July 15, 2019.....	\$2,222,717
Maximum Annual Debt Service Requirement (2021).....	\$3,050,489
\$0.92 Tax Rate on 2019 Certified Taxable Assessed Valuation.....	\$3,083,489
\$0.88 Tax Rate on Estimated Taxable Assessed Valuation as of July 15, 2019.....	\$3,056,236

No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of July 15, 2019, will not be adjusted downward prior to certification in 2020, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approves it an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption

for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

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

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

Tax Abatement

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

Valuation of Property for Taxation

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

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

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

Reappraisal of Property

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of

one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

Rollback of 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, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

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

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

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

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

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes". In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. See "INVESTMENT CONSIDERATIONS—General" and "—Tax Collection Limitations and Foreclosure Remedies."

The Effect of FIRREA 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.

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 or may affect the valuation of such property.

INVESTMENT CONSIDERATIONS

General

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

Infectious Disease Outlook (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the “President”) declared the Pandemic a national emergency and the Texas Governor (the “Governor”) declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the “disaster declarations”). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance of Executive Order GA-16 on April 17, 2020, which, among other things, requires Texans to minimize in-person contact with people who are not in the same household unless such people are involved in essential services or essential daily activities and closes schools to in-person classroom attendance by students through the 2019-2020 school year, unless such order is otherwise extended, modified, rescinded, or superseded by the Governor. In addition, Harris County, within which the District is located, has issued a “stay home” order for most citizens except when engaged in specified essential businesses and government functions. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of COVID-19 upon the District. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District’s financial condition.

Potential Effects of Oil Price Declines on the Houston Area

The recent declines in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

Recent Extreme Weather Events; Hurricane Harvey

The greater Houston area, including Harris County, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days.

According to the Engineer, the Operator and Clay Road, the District’s water and sewer system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, according to the Engineer, Operator and Clay Road, no home or commercial improvements within the District experienced significant flooding or other material damage as a result of Hurricane Harvey.

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

Specific Flood Type Risks

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

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

Atlas 14

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 upon the Atlas 14 study, which is based upon 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. See "THE SYSTEM."

Economic Factors and Interest Rates

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

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates, at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of the Developers or property owners to undertake and complete construction activities within the District. 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 construction within the District. In addition, since the District is located approximately 25 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of the District's 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 or a decline in the nation's real estate and financial markets could adversely affect development and building plans in the District and restrain the growth of or reduce the District's property tax base.

Competition

The demand for and construction of commercial improvements could be affected by competition from other developments, including other commercial developments located in the western portion of the Houston area market.

The competitive position of the Developers, or other property owners, in the sale of commercial tracts within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District.

Landowner Obligation to the District

There are no commitments from or obligations of the Developers, or any landowner, to the District to proceed at any particular rate or according to any specified plan with the development of land or construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds the District will increase or maintain its taxable value. See "THE DEVELOPERS."

Dependence on Major Taxpayers

Based on the certified 2019 tax rolls of \$352,801,906, the ten largest property owners are responsible for payment of 26.62% (\$93,921,499) of the District's 2019 taxes. A list related to the Estimated Taxable Assessed Valuation as of July 15, 2019 (\$365,578,469) is not available. The ability of any principal taxpayer 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. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy a higher tax rate or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of \$103,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, wastewater, and drainage facilities, \$5,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities, \$10,000,000 principal amount of unlimited tax bonds for constructing road facilities and \$103,000,000 principal amount of unlimited tax bonds for refunding purposes have been authorized by the District's voters. After issuance of the Bonds, \$67,435,000 principal amount of unlimited tax bonds will remain authorized but unissued for constructing or acquiring water, wastewater, and drainage facilities and \$102,905,000 principal amount of the unlimited tax refunding bonds will remain authorized but unissued. The District has authorized preparation of a bond application to the TCEQ for approval to issue \$13,640,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing or acquiring water, wastewater, and drainage facilities. The District anticipates issuing such bonds, following TCEQ approval, in the fourth quarter of 2020. The District has no remaining authorization unissued for unlimited tax bonds authorized for road facilities, and all of the bonds authorized for parks and recreational facilities remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

To date, the Developers within the District have advanced certain funds for construction of facilities for which they have not been reimbursed. The District owes such Developers approximately \$18,000,000 plus interest (as of the date hereof) for funds advanced to construct water, sewer, and drainage facilities in the District. The District intends to issue additional bonds in order to reimburse such developers for the current amount outstanding and to develop the remainder of undeveloped but developable land (approximately 12 acres). The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. However, the outstanding principal amount of bonds issued to finance parks and recreational facilities may not exceed 1% of the District's certified value. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities and recreational facilities, but not road facilities or improvements in aid thereof, must be approved by the TCEQ.

In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston-Brazoria area (“HGB Area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

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, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area “anti-backsliding” requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ’s “redesignation substitute” for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the *South Coast* court’s ruling, the TCEQ 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, with an attainment deadline of August 3, 2021. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

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

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

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

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

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

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

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR will become effective 60 days after the date of its publication in the Federal Register, and will likely become the subject of further litigation.

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

Tax Collections Limitations and Foreclosure Remedies

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

Registered Owners’ Remedies and Bankruptcy Limitations

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

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

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

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

A district may not be forced into bankruptcy involuntarily.

Marketability of the Bonds

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

Continuing Compliance with Certain Covenants

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

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.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has entered into an agreement with Assured Guaranty Municipal Corp. ("AGM") for the purchase of a municipal bond insurance policy (the "Policy"). At the time of entering into the agreement, the Insurer was rated "AA" (stable outlook) by S&P and "A2" (stable outlook) by Moody's. See "MUNICIPAL BOND INSURANCE."

The long-term ratings on the Bonds are dependent in part on the financial strength of the insurance provider providing the Policy (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 description of "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."

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

Neither the District nor the Underwriter 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.

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") and Moody's Investors Service (Moody's) will assign municipal bond ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. Moody's has also assigned an underlying rating of "Baa1" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's.

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

MUNICIPAL BOND INSURANCE

Municipal Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

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

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

On 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 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: the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020).

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

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

Miscellaneous Matters

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

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under “PLAN OF FINANCING— Escrow Agreement and Defeasance of the Refunded Bonds,” “THE BONDS,” “THE DISTRICT— General,” and “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers of the District.

TAX MATTERS

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

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

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

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

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

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

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

VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the funds deposited to the Escrow Account for the payment of the Refunded Bonds; (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes, and (c) compliance with City of Houston Ordinance No. 97-416.

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

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

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by Tax Tech, Inc. and is included herein in reliance upon the authority of such individual as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the District's water, wastewater and storm drainage system and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by BGE, Inc. and has been included herein in reliance upon the authority of said firm as the District's Engineer.

Auditor: The financial statements of the District as of March 31, 2019, and for the year then ended, have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's March 31, 2019 financial statements.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "THE SYSTEM—Water and Wastewater Operations" has been provided by McLennan & Associates, Inc. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

If subsequent to the date of the OFFICIAL STATEMENT, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the OFFICIAL STATEMENT to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the OFFICIAL STATEMENT satisfactory to the Underwriter; provided, however, that the obligation of the District to the Underwriter to so amend or supplement the OFFICIAL STATEMENT will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

Certification of Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT" (except for Estimated Overlapping Debt), "TAX DATA," and in APPENDIX A (Independent Auditor's Report and Financial Statements of the District). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2020. Any financial statements provided by the District shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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

Specified Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the

District to provide financial information, operational data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public through its Electronic Municipal Market Access (“EMMA”) internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects; nor has the District 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 Registered or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the Registered Owners 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 Registered Owners and Beneficial Owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

This OFFICIAL STATEMENT was approved by the Board of Directors of Harris County Municipal Utility District No. 287, as of the date shown on the cover page.

/s/ Frank Sheehy
President, Board of Directors

ATTEST:

/s/ Al Secor
Secretary, Board of Directors

APPENDIX A

Financial Statement of the District for the fiscal year ended March 31, 2019

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 287**

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

March 31, 2019

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McGRATH & CO., PLLC

Certified Public Accountants
2500 Tanglewilde, Suite 340
Houston, Texas 77063

Independent Auditors' Report

Board of Directors
Harris County Municipal Utility District No. 287
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 287, as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Board of Directors
Harris County Municipal Utility District No. 287
Harris County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris County Municipal Utility District No. 287, as of March 31, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary 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. The information has been subjected to the auditing procedures applied to 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

W&S Smith & Co, PA

Houston, Texas
July 15, 2019

Management's Discussion and Analysis

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***Harris County Municipal Utility District No. 287
Management's Discussion and Analysis
March 31, 2019***

Using this Annual Report

Within this section of the financial report of Harris County Municipal Utility District No. 287 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended March 31, 2019. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

***Harris County Municipal Utility District No. 287
Management's Discussion and Analysis
March 31, 2019***

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. 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, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at March 31, 2019, was negative \$12,173,359. The District's net position is negative because the District incurs debt to construct storm drainage facilities and roads which it conveys to Harris County. A comparative summary of the District's overall financial position, as of March 31, 2019 and 2018, is as follows:

	2019	2018
Current and other assets	\$ 11,548,769	\$ 9,830,856
Capital assets	21,108,476	18,211,373
Total assets	<u>32,657,245</u>	<u>28,042,229</u>
Current liabilities	1,954,180	1,412,782
Long-term liabilities	42,876,424	41,419,672
Total liabilities	<u>44,830,604</u>	<u>42,832,454</u>
Net position		
Net investment in capital assets	(5,239,732)	(5,305,126)
Restricted	4,214,852	3,379,825
Unrestricted	<u>(11,148,479)</u>	<u>(12,864,924)</u>
Total net position	<u>\$ (12,173,359)</u>	<u>\$ (14,790,225)</u>

***Harris County Municipal Utility District No. 287
Management's Discussion and Analysis
March 31, 2019***

The total net position of the District increased during the current fiscal year by \$2,616,866. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2019</u>	<u>2018</u>
Revenues		
Property taxes, penalties and interest	\$ 4,632,167	\$ 3,627,689
Water and sewer service	1,074,887	1,056,559
Other	789,222	636,199
Total revenues	<u>6,496,276</u>	<u>5,320,447</u>
Expenses		
Current service operations	2,165,172	1,663,587
Debt interest and fees	1,280,980	1,139,734
Developer interest		667,277
Debt issuance costs		473,476
Depreciation and amortization	433,258	323,557
Total expenses	<u>3,879,410</u>	<u>4,267,631</u>
Change in net position before other item	2,616,866	1,052,816
Other items		
Transfers to other governments		<u>(7,270,660)</u>
Change in net position	2,616,866	(6,217,844)
Net position, beginning of year	<u>(14,790,225)</u>	<u>(8,572,381)</u>
Net position, end of year	<u>\$ (12,173,359)</u>	<u>\$ (14,790,225)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of March 31, 2019, were \$11,089,664, which consists of \$6,004,924 in the General Fund, \$4,228,735 in the Debt Service Fund, and \$856,005 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of March 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Total assets	\$ 6,372,039	\$ 5,275,305
Total liabilities	\$ 333,307	\$ 257,105
Total deferred inflows	33,808	17,264
Total fund balance	<u>6,004,924</u>	<u>5,000,936</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 6,372,039</u>	<u>\$ 5,275,305</u>

***Harris County Municipal Utility District No. 287
Management's Discussion and Analysis
March 31, 2019***

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 3,284,361	\$ 2,677,136
Total expenditures	<u>(2,354,476)</u>	<u>(2,662,467)</u>
Revenues over expenditures	929,885	14,669
Other changes in fund balance	74,103	
Net change in fund balance	<u>\$ 1,003,988</u>	<u>\$ 14,669</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District, and tap connection fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because assessed values increased from prior year.
- Water, sewer and ground water pumpage fee revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of March 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 4,316,831</u>	<u>\$ 3,487,416</u>
Total liabilities	\$ 175	\$ 2,316
Total deferred inflows	87,921	45,027
Total fund balance	<u>4,228,735</u>	<u>3,440,073</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 4,316,831</u>	<u>\$ 3,487,416</u>

***Harris County Municipal Utility District No. 287
Management's Discussion and Analysis
March 31, 2019***

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	2019	2018
Total revenues	\$ 3,133,268	\$ 2,556,591
Total expenditures	<u>(2,344,606)</u>	<u>(2,154,034)</u>
Revenues over expenditures	788,662	402,557
Other changes in fund balance		156,231
Net change in fund balance	<u>\$ 788,662</u>	<u>\$ 558,788</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. During the previous fiscal year, financial resources also included capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of March 31, 2019 and 2018 is as follows:

	2019	2018
Total assets	<u>\$ 859,899</u>	<u>\$ 1,068,135</u>
Total liabilities	\$ 3,894	\$ 3,086
Total fund balance	<u>856,005</u>	<u>1,065,049</u>
Total liabilities and fund balance	<u>\$ 859,899</u>	<u>\$ 1,068,135</u>

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2019	2018
Total revenues	\$ 19,208	\$ 81,714
Total expenditures	<u>(154,149)</u>	<u>(9,412,289)</u>
Revenues under expenditures	(134,941)	(9,330,575)
Other changes in fund balance	<u>(74,103)</u>	9,665,741
Net change in fund balance	<u>\$ (209,044)</u>	<u>\$ 335,166</u>

The District did not have any significant capital asset activity in the current year. Capital asset activity in the prior year was financed with proceeds from the issuance of its Series 2017 Unlimited Tax Road Bonds.

***Harris County Municipal Utility District No. 287
Management's Discussion and Analysis
March 31, 2019***

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$915,638 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at March 31, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Capital assets not being depreciated		
Land and improvements	\$ 5,735,639	\$ 5,735,639
Construction in progress		803,806
	<u>5,735,639</u>	<u>6,539,445</u>
Capital assets being depreciated/amortized		
Infrastructure	12,157,005	10,502,903
Interest in joint facilities	5,019,395	2,539,330
Landscaping improvements	519,481	519,481
	<u>17,695,881</u>	<u>13,561,714</u>
Less accumulated depreciation/amortization		
Infrastructure	(1,549,098)	(1,278,943)
Interest in joint facilities	(635,667)	(498,538)
Landscaping improvements	(138,279)	(112,305)
	<u>(2,323,044)</u>	<u>(1,889,786)</u>
Depreciable capital assets, net	<u>15,372,837</u>	<u>11,671,928</u>
Capital assets, net	<u>\$ 21,108,476</u>	<u>\$ 18,211,373</u>

Capital asset additions during the current year include: (1) utilities to serve Morton Ranch Crossing; (2) lift station no. 2; and (3) the District's interest in various joint water and wastewater treatment facilities.

Harris County assumes responsibility for all storm sewer systems constructed in public streets and road facilities constructed within the county. Consequently, these projects are not recorded as capital

***Harris County Municipal Utility District No. 287
 Management’s Discussion and Analysis
 March 31, 2019***

assets on the District’s financial statements but are recorded as transfers to other governments upon completion of construction. For the year ended March 31, 2019, no capital assets were recorded as transfers to other governments.

Long-Term Debt and Related Liabilities

As of March 31, 2019, the District owes \$9,167,931 to developers for completed projects and operating advances. As discussed in Note 6, the District has an additional commitment in the amount of \$7,572,760 for projects under construction by the developers. As previously mentioned, the District will owe its developers for these projects upon completion of construction, at which time the cost of the capital asset and related liability will be estimated and recorded on the District’s financial statements. The estimated cost is trued up when the developer is reimbursed. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds.

At March 31, 2019 and 2018, the District had total bonded debt outstanding as shown below:

Series	2019	2018
2011	\$ 1,980,000	\$ 2,045,000
2012	3,150,000	3,245,000
2014	3,790,000	3,890,000
2015	9,160,000	9,580,000
2016	7,950,000	8,315,000
2017 Road	10,000,000	10,000,000
	<u>\$ 36,030,000</u>	<u>\$ 37,075,000</u>

At March 31, 2019, the District had \$74,100,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$5,700,000 for parks and recreational facilities; and \$103,000,000 for refunding purposes.

Next Year’s Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers.

***Harris County Municipal Utility District No. 287
Management's Discussion and Analysis
March 31, 2019***

A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	<u>2019 Actual</u>	<u>2020 Budget</u>
Total revenues	\$ 3,284,361	\$ 2,752,572
Total expenditures	<u>(2,354,476)</u>	<u>(2,579,002)</u>
Revenues over expenditures	929,885	173,570
Other changes in fund balance	<u>74,103</u>	
Net change in fund balance	1,003,988	173,570
Beginning fund balance	<u>5,000,936</u>	<u>6,004,924</u>
Ending fund balance	<u>\$ 6,004,924</u>	<u>\$ 6,178,494</u>

Property Taxes

The District's property tax base increased approximately \$21,332,005, based on preliminary values, for the 2019 tax year from \$333,659,551 to \$354,991,556.

Basic Financial Statements

Harris County Municipal Utility District No. 287
Statement of Net Position and Governmental Funds Balance Sheet
March 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 239,961	\$ 426,991	\$ 11,367	\$ 678,319	\$ -	\$ 678,319
Investments	5,674,980	3,917,272	888,121	10,480,373		10,480,373
Taxes receivable, net	33,808	87,921		121,729		121,729
Customer service receivables, net	129,981			129,981		129,981
Internal balances	154,942	(115,353)	(39,589)			
Other receivables	1,002			1,002		1,002
Prepaid items	84,500			84,500		84,500
Operating reserve	52,865			52,865		52,865
Capital assets not being depreciated					5,735,639	5,735,639
Capital assets, net					15,372,837	15,372,837
Total Assets	\$6,372,039	\$ 4,316,831	\$ 859,899	\$11,548,769	21,108,476	32,657,245
Liabilities						
Accounts payable	\$ 152,372	\$ 175	\$ 3,894	\$ 156,441		156,441
Other payables	1,287			1,287		1,287
Customer deposits	143,381			143,381		143,381
Due to other governments	36,267			36,267		36,267
Accrued interest payable					101,804	101,804
Due to developers					9,167,931	9,167,931
Long-term debt						
Due within one year					1,515,000	1,515,000
Due after one year					33,708,493	33,708,493
Total Liabilities	333,307	175	3,894	337,376	44,493,228	44,830,604
Deferred Inflows of Resources						
Deferred property taxes	33,808	87,921		121,729	(121,729)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	137,365			137,365	(137,365)	
Restricted		4,228,735	856,005	5,084,740	(5,084,740)	
Unassigned	5,867,559			5,867,559	(5,867,559)	
Total Fund Balances	6,004,924	4,228,735	856,005	11,089,664	(11,089,664)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$6,372,039	\$ 4,316,831	\$ 859,899	\$11,548,769		
Net Position						
Net investment in capital assets					(5,239,732)	(5,239,732)
Restricted for debt service					4,214,852	4,214,852
Unrestricted					(11,148,479)	(11,148,479)
Total Net Position					\$(12,173,359)	\$(12,173,359)

See notes to basic financial statements.

Harris County Municipal Utility District No. 287
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 449,749	\$ -	\$ -	\$ 449,749	\$ -	\$ 449,749
Sewer service	625,138			625,138		625,138
Property taxes	1,476,891	3,040,892		4,517,783	53,389	4,571,172
Penalties and interest	25,955	28,990		54,945	6,050	60,995
Groundwater pumpage fees	344,774			344,774		344,774
Tap connection and inspection	209,601			209,601		209,601
Miscellaneous	49,700			49,700		49,700
Investment earnings	102,553	63,386	19,208	185,147		185,147
Total Revenues	3,284,361	3,133,268	19,208	6,436,837	59,439	6,496,276
Expenditures/Expenses						
Current service operations						
Purchased services	466,154			466,154		466,154
Professional fees	204,980		154,149	359,129		359,129
Contracted services	403,594	50,012		453,606		453,606
Repairs and maintenance	366,428			366,428		366,428
Utilities	41,334			41,334		41,334
Leases	381,200			381,200		381,200
Administrative	72,335	3,094		75,429		75,429
Other	21,892			21,892		21,892
Capital outlay	396,559			396,559	(396,559)	
Debt service						
Principal		1,045,000		1,045,000	(1,045,000)	
Interest and fees		1,246,500		1,246,500	34,480	1,280,980
Depreciation and amortization					433,258	433,258
Total Expenditures/Expenses	2,354,476	2,344,606	154,149	4,853,231	(973,821)	3,879,410
Revenues Over (Under)						
Expenditures	929,885	788,662	(134,941)	1,583,606	(1,583,606)	
Other Financing Sources/(Uses)						
Internal transfers	74,103		(74,103)			
Net Change in Fund Balances	1,003,988	788,662	(209,044)	1,583,606	(1,583,606)	
Change in Net Position					2,616,866	2,616,866
Fund Balance/Net Position						
Beginning of the year	5,000,936	3,440,073	1,065,049	9,506,058	(24,296,283)	(14,790,225)
End of the year	\$6,004,924	\$4,228,735	\$ 856,005	\$ 11,089,664	\$ (23,263,023)	\$ (12,173,359)

See notes to basic financial statements.

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Harris County Municipal Utility District No. 287
Notes to Basic Financial Statements
March 31, 2019

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Municipal Utility District No. 287 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Water Commission, statutory predecessor to the Texas Commission on Environmental Quality, dated July 29, 1985. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended. The Board of Directors held its first meeting on January 24, 2006 and the first bonds were sold on January 27, 2011.

The District’s primary activities include construction, maintenance and operation of water, sewer, drainage, park and recreational facilities and road improvements. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll, or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The Governmental Accounting Standards Board has established the criteria for determining whether or not an entity is a primary government, a component unit of a primary government or a related organization. A primary government has a separately elected governing body; is legally separate; and is fiscally independent of other state and local governments. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer, drainage, and road facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments, and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At March 31, 2019, allowances of \$588 and \$2,500 were provided for possible uncollectible property taxes and water/sewer accounts, respectively.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Harris County Municipal Utility District No. 287
Notes to Basic Financial Statements
March 31, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Depreciable capital assets, which primarily consist of water and wastewater facilities, are depreciated using the straight-line method as follows:

Assets	Useful Life
Infrastructure	40-45 years
Interest in joint facilities	Remaining life of contract
Landscaping improvements	10-20 years

The District’s detention facilities and certain drainage channels are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items and operating reserves paid to Harris County Municipal Utility District No. 71 for the joint water plant and wastewater treatment plant.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to Harris County and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Harris County Municipal Utility District No. 287
Notes to Basic Financial Statements
March 31, 2019

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds		\$ 11,089,664
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 23,431,520	
Less accumulated depreciation/amortization	<u>(2,323,044)</u>	
Change due to capital assets		21,108,476
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds, the difference consists of:		
Bonds payable, net	(35,223,493)	
Interest payable on bonds	<u>(101,804)</u>	
Change due to long-term debt		(35,325,297)
Amounts due to the District's developers for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .		
		(9,167,931)
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		
Property taxes receivable	109,183	
Penalty and interest receivable	<u>12,546</u>	
Change due to property taxes		121,729
Total net position - governmental activities		<u>\$ (12,173,359)</u>

Harris County Municipal Utility District No. 287
Notes to Basic Financial Statements
March 31, 2019

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds		\$ 1,583,606
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Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes and related penalties and interest.		59,439
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Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the <i>Statement of Activities</i> , the cost of capital assets is charged to expense over the estimated useful life of the asset.		
Capital outlays	\$ 396,559	
Depreciation and amortization expense	<u>(433,258)</u>	
		(36,699)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Also governmental funds report issuance costs and discounts when the related debt is first issued, whereas these amounts are deferred and amortized in the <i>Statement of Activities</i> .		
Principal payments	1,045,000	
Interest expense	<u>(34,480)</u>	
		1,010,520

Change in net position of governmental activities		<u>\$ 2,616,866</u>
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Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District’s deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third party custodian. The act further specifies the types of securities that can be used as collateral. The District’s written investment policy establishes additional requirements for collateralization of deposits.

Note 3 – Deposits and Investments (continued)

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers’ acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District’s investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of March 31, 2019, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 5,674,980		
	Debt Service	3,917,272		
	Capital Projects	888,121		
		<u>\$ 10,480,373</u>	AAAm	27 days

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

Harris County Municipal Utility District No. 287
Notes to Basic Financial Statements
March 31, 2019

Note 3 – Deposits and Investments (continued)

TexPool (continued)

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District’s position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District’s investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at March 31, 2019, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service	\$ 115,353	Maintenance tax collections not remitted as of year end.
General Fund	Capital Projects	39,589	Bond application fees paid by the General Fund

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

During the current year, the District transferred \$74,103 from the Capital Projects Fund to the General Fund from capacity reservation fees received in the previous fiscal year.

Harris County Municipal Utility District No. 287
Notes to Basic Financial Statements
March 31, 2019

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended March 31, 2019, is as follows:

	Beginning Balances	Additions/ Adjustments	Retirements	Ending Balances
Capital assets not being depreciated				
Land and improvements	\$ 5,735,639	\$ -	\$ -	\$ 5,735,639
Construction in progress	803,806		(803,806)	
	<u>6,539,445</u>		<u>(803,806)</u>	<u>5,735,639</u>
Capital assets being depreciated/amortized				
Infrastructure	10,502,903	1,654,102		12,157,005
Interest in joint facilities	2,539,330	2,480,065		5,019,395
Landscaping improvements	519,481			519,481
	<u>13,561,714</u>	<u>4,134,167</u>		<u>17,695,881</u>
Less accumulated depreciation/amortization				
Infrastructure	(1,278,943)	(270,155)		(1,549,098)
Interest in joint facilities	(498,538)	(137,129)		(635,667)
Landscaping improvements	(112,305)	(25,974)		(138,279)
	<u>(1,889,786)</u>	<u>(433,258)</u>		<u>(2,323,044)</u>
Subtotal depreciable capital assets, net	<u>11,671,928</u>	<u>3,700,909</u>		<u>15,372,837</u>
Capital assets, net	<u>\$ 18,211,373</u>	<u>\$ 3,700,909</u>	<u>\$ (803,806)</u>	<u>\$ 21,108,476</u>

Depreciation/amortization expense for the current year was \$433,258.

Note 6 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

Changes in amounts due to developers during the year are as follows:

Due to developers, beginning of year	\$ 6,234,128
Developer funded construction and adjustments	<u>2,933,803</u>
Due to developers, end of year	<u>\$ 9,167,931</u>

Harris County Municipal Utility District No. 287
Notes to Basic Financial Statements
March 31, 2019

Note 6 – Due to Developers (continued)

In addition, the District will owe the developers approximately \$7,572,760, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Wastewater treatment plant, Phase 3 sitework	\$ 1,624,469	\$ 1,474,766	\$ 149,703
Waterstone West, Section 1 - utilities	4,071,668		4,071,668
Waterstone West, Section 2 - utilities and paving	910,065	740,909	169,156
Waterstone West, Section 3 - utilities	966,558		966,558
	<u>\$ 7,572,760</u>	<u>\$ 2,215,675</u>	<u>\$ 5,357,085</u>

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 36,030,000
Unamortized discounts	(806,507)
	<u>\$ 35,223,493</u>
Due within one year	<u>\$ 1,515,000</u>

Harris County Municipal Utility District No. 287
Notes to Basic Financial Statements
March 31, 2019

Note 7 – Long-Term Debt (continued)

The District’s bonds payable at March 31, 2019, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2011	\$ 1,980,000	\$ 2,400,000	4.00% - 5.875%	September 1, 2011/2035	September 1/ March 1	September 1, 2020
2012	3,150,000	3,660,000	3.50% - 4.625%	September 1, 2013/2037	September 1/ March 1	September 1, 2021
2014	3,790,000	4,165,000	3.0% - 5.0%	September 1, 2015/2039	September 1/ March 1	September 1, 2022
2015	9,160,000	10,000,000	3.0% - 5.5%	September 1, 2017/2040	September 1/ March 1	September 1, 2023
2016	7,950,000	8,675,000	2.0% - 3.0%	September 1, 2017/2040	September 1/ March 1	September 1, 2024
2017 Road	10,000,000	10,000,000	2.0% - 4.0%	September 1, 2019/2040	September 1/ March 1	September 1, 2024
	<u>\$ 36,030,000</u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At March 31, 2019, the District had authorized but unissued bonds in the amount of \$74,100,000 for water, sewer and drainage facilities; \$5,700,000 for park and recreational facilities; and \$103,000,000 for refunding purposes.

The change in the District’s long term debt during the year is as follows:

Bonds payable, beginning of year	\$ 37,075,000
Bonds retired	<u>(1,045,000)</u>
Bonds payable, end of year	<u>\$ 36,030,000</u>

Harris County Municipal Utility District No. 287
Notes to Basic Financial Statements
March 31, 2019

Note 7 – Long-Term Debt (continued)

As of March 31, 2019, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2020	\$ 1,515,000	\$ 1,191,838	\$ 2,706,838
2021	1,530,000	1,132,401	2,662,401
2022	1,545,000	1,072,714	2,617,714
2023	1,570,000	1,012,480	2,582,480
2024	1,585,000	954,629	2,539,629
2025	1,600,000	905,296	2,505,296
2026	1,610,000	861,692	2,471,692
2027	1,630,000	816,756	2,446,756
2028	1,645,000	769,803	2,414,803
2029	1,675,000	720,422	2,395,422
2030	1,700,000	668,609	2,368,609
2031	1,720,000	614,153	2,334,153
2032	1,745,000	556,131	2,301,131
2033	1,775,000	495,276	2,270,276
2034	1,805,000	432,269	2,237,269
2035	1,830,000	366,684	2,196,684
2036	1,865,000	298,616	2,163,616
2037	1,715,000	234,031	1,949,031
2038	1,740,000	173,225	1,913,225
2039	1,500,000	117,015	1,617,015
2040	1,505,000	65,831	1,570,831
2041	1,225,000	20,019	1,245,019
	<u>\$ 36,030,000</u>	<u>\$ 13,479,890</u>	<u>\$ 49,509,890</u>

Note 8 – Property Taxes

On November 7, 2006, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

On November 8, 2011, the voters of the District authorized the District’s Board of Directors to levy a road operation and maintenance tax not to exceed \$0.25 per \$100 of assessed value. The District did not levy an ad valorem road maintenance tax during the current fiscal year.

Harris County Municipal Utility District No. 287
Notes to Basic Financial Statements
March 31, 2019

Note 8 – Property Taxes (continued)

All property values and exempt status, if any, are determined by the Harris County Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2019 fiscal year was financed through the 2018 tax levy, pursuant to which the District levied property taxes of \$1.17 per \$100 of assessed value, of which \$0.36 was allocated to maintenance and operations, \$0.30 was allocated to road debt service; and \$0.51 was allocated to water, sewer and drainage debt service. The resulting tax levy was \$3,903,817 on the adjusted taxable value of \$333,659,551.

Net property taxes receivable, at March 31, 2019, consisted of the following:

Current year taxes receivable	\$ 92,049
Prior year taxes receivable	17,722
Less allowance for uncollectible accounts	<u>(588)</u>
	109,183
Penalty and interest receivable	<u>12,546</u>
Net property taxes receivable	<u>\$ 121,729</u>

Note 9 – Interim Wastewater Treatment Plant Leases

On March 18, 2008, the District entered into a lease agreement with AUC Group, L.P. (“AUC”) to lease a 175,000 gallons per day (“gpd”) prepackaged wastewater treatment plant (the “Plant”). The initial term of this lease is sixty months from December 2008 through November 2013. After the end of the initial term, this lease automatically renews every ninety days unless the District gives notice of its intent to terminate the lease. The District’s lease payment is \$4,800 per month. For the year ended March 31, 2019, the District paid \$57,600 in monthly lease payments.

On September 16, 2013, the District entered into a second lease agreement with AUC for the phase 2 expansion of the Plant to a capacity of 350,000 gpd. The initial term of this lease is sixty months, beginning June 2014. After the end of the initial term, this lease automatically renews every ninety days unless the District gives notice of its intent to terminate the lease. The District’s lease payment to AUC during the initial term is \$9,400 per month and \$6,600 per month for any months after the initial term. For the year ended March 31, 2019, the District paid \$112,800 in monthly lease payments.

On July 20, 2015, the District entered into a third lease agreement with AUC for modifications to the Plant, including the addition of an additional digester. The initial term of this lease is sixty months, beginning February 2016. After the end of the initial term, this lease automatically renews every ninety days unless the District gives notice of its intent to terminate the lease. The District’s lease payment to AUC during the initial term is \$4,150 per month and \$2,100 per month for any months after the initial term. For the year ended March 31, 2019, the District paid \$49,800 in monthly lease payments.

Harris County Municipal Utility District No. 287
Notes to Basic Financial Statements
March 31, 2019

Note 9 – Interim Wastewater Treatment Plant Leases (continued)

On April 17, 2017, the District entered into a fourth lease agreement with AUC for the phase 3 expansion of the Plant to a capacity of 455,000 gpd. The initial term of this lease is sixty months from the first day of the month following substantial completion of the phase 3 expansion. After the end of the initial term, this lease automatically renews every ninety days unless the District gives notice of its intent to terminate the lease. The District’s lease payment to AUC during the initial term is \$23,000 per month and \$16,800 per month for any months after the initial term. For the year ended March 31, 2019, the District paid \$161,000 in monthly lease payments.

Future lease payments noted below include payments for all leases (both term and month-to-month) required to maintain the wastewater treatment plant’s current capacity.

Fiscal Year	Initial Term	Month to Month	Total Lease
2020	\$ 325,800	\$ 136,800	\$ 462,600
2021	309,200	145,200	454,400
2022	276,000	162,000	438,000
2023	276,000	162,000	438,000
2024	115,000	67,500	182,500
	\$ 1,302,000	\$ 673,500	\$ 1,975,500

Note 10 – Joint Water Facilities and Cost Sharing Agreement

The District and Harris County Municipal Utility District No. 71 (“MUD 71”) entered into a Joint Water Facilities and Cost Sharing Agreement (the “Water Agreement”) as of September 18, 2006, as subsequently amended January 14, 2008, February 17, 2014, December 15, 2014, and May 23, 2018, for a term of forty years for the purpose of acquiring, constructing and operating regional water supply facilities (the “Facilities”) to serve both districts. MUD 71 will be the legal owner of the Facilities for the benefit of both districts. The Facilities were planned to be constructed in 3 stages, which were designed to meet the projected demands of both districts.

MUD 71 was responsible for the design and construction of all phases; however, the District was responsible for the first \$2,000,000 of construction costs of Phase 3. This phase was completed during the fiscal year ended March 31, 2012. All additional construction costs will be paid by both districts on a pro-rata basis.

MUD 71 is required to establish a regional water facilities account and to deposit all funds received in payment of operating, maintenance and construction costs. Unless otherwise agreed, each district is required to advance funds to establish an operating reserve of at least 3 months of budgeted operating and maintenance costs, which is held in the regional water facilities account. As of March 31, 2019, the joint water and sewer reserve was \$52,865.

Note 10 – Joint Water Facilities and Cost Sharing Agreement (continued)

MUD 71 will invoice each district on a monthly basis for its pro-rata share of construction costs and operating and maintenance costs. If MUD 71 determines, from time to time, that the collective amount of the Districts' individual deposits should be increased or decreased, MUD 71 shall either invoice each District for an additional amount (which will be the same for each District) or will reimburse each District for an equal share of the surplus amount. MUD 71 will invoice each district on a monthly basis for its pro-rata share of operating and maintenance costs. During the current fiscal year ended March 31, 2019, the District recorded \$426,630 for purchased water services.

Note 11 – Joint Wastewater Treatment Facilities and Cost Sharing Agreement

On September 18, 2006, as amended October 1, 2009 and January 1, 2012, the District entered into a Joint Wastewater Treatment Facilities and Cost Sharing Agreement (the "Joint Wastewater Agreement") with MUD 71 for a term of forty years. Under the terms of the Joint Wastewater Agreement, MUD 71 has sold wastewater treatment capacity to serve an annexed area of the District from MUD 71's existing wastewater treatment facilities. MUD 71 will hold legal title to the facilities for the benefit of both districts. However, the District will have equitable interest in their share of purchased capacity. During the current fiscal year ended March 31, 2019, the District recorded \$39,524 for purchased sewer services.

Note 12 – Strategic Partnership Agreement

The District entered into a Strategic Partnership Agreement (the "Agreement") with the City of Houston (the "City") effective June 5, 2014. Pursuant to the terms of the Agreement, the City annexed a portion of the District for limited purposes (the "Tract"). The SPA provides for the levy of City sales tax on qualifying retail sales within the Tract of which the District would receive one-half. However, the Tract is overlapped by an Emergency Services District that purportedly has priority to collect the sales tax that would otherwise be available to the City. Since the City will not be collecting such sales tax, the District will not be receiving any sales tax revenue under this Agreement. The District will continue to provide water, sewer and drainage services to all properties within its boundaries until full annexation.

Note 13 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Required Supplementary Information

*Harris County Municipal Utility District No. 287
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended March 31, 2019*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 420,000	\$ 449,749	\$ 29,749
Sewer service	600,000	625,138	25,138
Property taxes	1,041,732	1,476,891	435,159
Penalties and interest	24,000	25,955	1,955
Groundwater pumpage fees	364,800	344,774	(20,026)
Tap connection and inspection		209,601	209,601
Miscellaneous	48,000	49,700	1,700
Investment earnings	20,000	102,553	82,553
Total Revenues	<u>2,518,532</u>	<u>3,284,361</u>	<u>765,829</u>
Expenditures			
Current service operations			
Purchased services	542,340	466,154	76,186
Professional fees	233,800	204,980	28,820
Contracted services	330,874	403,594	(72,720)
Repairs and maintenance	350,911	366,428	(15,517)
Utilities	30,000	41,334	(11,334)
Leases	496,200	381,200	115,000
Administrative	62,857	72,335	(9,478)
Other	34,200	21,892	12,308
Capital outlay	349,000	396,559	(47,559)
Total Expenditures	<u>2,430,182</u>	<u>2,354,476</u>	<u>75,706</u>
Revenues Over Expenditures	88,350	929,885	841,535
Other Financing Sources			
Internal transfers		74,103	74,103
Net Change in Fund Balance	88,350	1,003,988	915,638
Fund Balance			
Beginning of the year	5,000,936	5,000,936	
End of the year	<u>\$ 5,089,286</u>	<u>\$ 6,004,924</u>	<u>\$ 915,638</u>

Harris County Municipal Utility District No. 287
Notes to Required Supplementary Information
March 31, 2019

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Harris County Municipal Utility District No. 287

TSI-1. Services and Rates

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

2. Retail Service Providers

(You may omit this information if your district does not provide retail services)

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ 26.00	5,000	N	\$ 1.00	5,001 to 15,000
				\$ 1.50	15,001 to 30,000
				\$ 2.00	30,001 to no limit
Wastewater:	\$ 44.60	- 0 -	Y		to _____
Groundwater	\$ _____	- 0 -	N	\$ 3.25	- 0 - to no limit

District employs winter averaging for wastewater usage Yes No

Total charges per 10,000 gallons usage: Water \$ 63.50 Wastewater \$ 44.60

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
less than 3/4"	38	38	x 1.0	38
1"	1,128	1,116	x 2.5	2,790
1.5"	3	3	x 5.0	15
2"	15	15	x 8.0	120
3"			x 15.0	
4"			x 25.0	
6"	3	3	x 50.0	150
8"	2	2	x 80.0	160
10"			x 115.0	
Total Water	1,189	1,177		3,273
Total Wastewater	1,163	1,151	x 1.0	1,151

See accompanying auditor's report.

Harris County Municipal Utility District No. 287
TSI-1. Services and Rates
March 31, 2019

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):
 (You may omit this information if your district does not provide water)

Gallons pumped into system:	<u>125,221,000</u>	Purchased from Harris County MUD 71
		Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>116,080,000</u>	<u>92.70%</u>

4. Standby Fees (authorized only under TWC Section 49.231):
 (You may omit this information if your district does not levy standby fees)

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: _____

5. Location of District (required for first audit year or when information changes,
 otherwise this information may be omitted):

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Harris County

Is the District located within a city? Entirely Partly Not at all

City(ies) in which the District is located: _____

Is the District located within a city's extra territorial jurisdiction (ETJ)?
 Entirely Partly Not at all

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes No

If Yes, by whom? _____

See accompanying auditors' report.

*Harris County Municipal Utility District No. 287
TSI-2 General Fund Expenditures
For the Year Ended March 31, 2019*

Purchased services		<u>\$ 466,154</u>
Professional fees		
Legal		115,770
Audit		13,000
Engineering		76,210
		<u>204,980</u>
Contracted services		
Bookkeeping		21,094
Operator		80,212
Garbage collection		208,298
Tap connection and inspection		72,340
Sludge removal		21,650
		<u>403,594</u>
Repairs and maintenance		<u>366,428</u>
Utilities		<u>41,334</u>
Leases		<u>381,200</u>
Administrative		
Directors fees		6,600
Printing and office supplies		27,769
Insurance		18,948
Other		19,018
		<u>72,335</u>
Other		<u>21,892</u>
Capital outlay		<u>396,559</u>
Total expenditures		<u><u>\$ 2,354,476</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	425,853 kWh's	\$ 34,697
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Harris County Municipal Utility District No. 287
TSI-3. Investments
March 31, 2019

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexPool	Variable	N/A	<u>\$ 5,674,980</u>
Debt Service			
TexPool	Variable	N/A	2,590,784
TexPool - Road	Variable	N/A	<u>1,326,488</u>
			<u>3,917,272</u>
Capital Projects			
TexPool	Variable	N/A	584,130
TexPool - Road	Variable	N/A	<u>303,991</u>
			<u>888,121</u>
Total - All Funds			<u><u>\$ 10,480,373</u></u>

See accompanying auditors' report.

Harris County Municipal Utility District No. 287
TSI-4. Taxes Levied and Receivable
March 31, 2019

	Maintenance Taxes	Road Debt Service Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 17,264	\$ 8,678	\$ 29,851	\$ 55,793
Adjustments	(1,163)	(906)	(2,218)	(4,287)
Adjusted Receivable	16,101	7,772	27,633	51,506
2018 Original Tax Levy	995,651	829,709	1,410,506	3,235,866
Adjustments	205,524	171,269	291,158	667,951
Adjusted Tax Levy	1,201,175	1,000,978	1,701,664	3,903,817
Total to be accounted for	1,217,276	1,008,750	1,729,297	3,955,323
Tax collections:				
Current year	1,172,852	977,376	1,661,540	3,811,768
Prior years	10,616	5,297	18,459	34,372
Total Collections	1,183,468	982,673	1,679,999	3,846,140
Taxes Receivable, End of Year	\$ 33,808	\$ 26,077	\$ 49,298	\$ 109,183
Taxes Receivable, By Years				
2018	\$ 28,323	\$ 23,602	\$ 40,124	\$ 92,049
2017	3,873	2,475	6,778	13,126
2016	1,210		2,060	3,270
2015 and prior	402		336	738
Taxes Receivable, End of Year	\$ 33,808	\$ 26,077	\$ 49,298	\$ 109,183
	2018	2017	2016	2015
Property Valuations				
Land	\$ 96,996,653	\$ 87,363,192	\$ 50,778,309	\$ 47,249,838
Improvements	232,905,413	213,726,306	184,948,157	136,437,963
Personal Property	11,828,458	1,584,946	2,239,782	2,360,386
Exemptions	(8,070,973)	(7,625,984)	(7,425,499)	(6,811,289)
Total Property Valuations	\$ 333,659,551	\$ 295,048,460	\$ 230,540,749	\$ 179,236,898
Tax Rates per \$100 Valuation				
Maintenance tax rates	\$ 0.36	\$ 0.36	\$ 0.47	\$ 0.52
Road debt service tax rates	0.30	0.23		
Water, sewer and drainage debt service tax rates	0.51	0.63	0.80	0.83
	\$ 1.17	\$ 1.22	\$ 1.27	\$ 1.35
Adjusted Tax Levy:	\$ 3,903,817	\$ 3,599,591	\$ 2,927,868	\$ 2,419,698
Percentage of Taxes Collected to Taxes Levied **	97.64%	99.64%	99.89%	99.99%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 7, 2006

* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on November 8, 2011

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

See accompanying auditors' report.

Harris County Municipal Utility District No. 287
TSI-5. Long-Term Debt Service Requirements
Series 2011--by Years
March 31, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 70,000	\$ 107,674	\$ 177,674
2021	75,000	104,174	179,174
2022	80,000	100,336	180,336
2023	85,000	96,211	181,211
2024	90,000	91,836	181,836
2025	95,000	87,116	182,116
2026	100,000	82,021	182,021
2027	105,000	76,640	181,640
2028	110,000	70,914	180,914
2029	120,000	64,644	184,644
2030	125,000	57,844	182,844
2031	135,000	50,378	185,378
2032	140,000	42,300	182,300
2033	150,000	33,781	183,781
2034	160,000	24,675	184,675
2035	165,000	15,128	180,128
2036	175,000	5,141	180,141
	<u>\$ 1,980,000</u>	<u>\$ 1,110,813</u>	<u>\$ 3,090,813</u>

See accompanying auditors' report.

Harris County Municipal Utility District No. 287
TSI-5. Long-Term Debt Service Requirements
Series 2012--by Years
March 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 100,000	\$ 134,126	\$ 234,126
2021	105,000	130,539	235,539
2022	110,000	126,666	236,666
2023	120,000	122,231	242,231
2024	125,000	117,331	242,331
2025	130,000	112,166	242,166
2026	135,000	106,734	241,734
2027	145,000	100,921	245,921
2028	150,000	94,726	244,726
2029	160,000	88,216	248,216
2030	170,000	81,116	251,116
2031	175,000	73,526	248,526
2032	185,000	65,606	250,606
2033	195,000	57,246	252,246
2034	205,000	48,216	253,216
2035	215,000	38,503	253,503
2036	230,000	28,213	258,213
2037	240,000	17,344	257,344
2038	255,000	5,897	260,897
	<u>\$ 3,150,000</u>	<u>\$ 1,549,323</u>	<u>\$ 4,699,323</u>

See accompanying auditors' report.

Harris County Municipal Utility District No. 287
TSI-5. Long-Term Debt Service Requirements
Series 2014--by Years
March 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 105,000	\$ 134,113	\$ 239,113
2021	110,000	130,362	240,362
2022	115,000	126,987	241,987
2023	125,000	123,387	248,387
2024	130,000	119,562	249,562
2025	135,000	115,588	250,588
2026	145,000	111,387	256,387
2027	150,000	106,963	256,963
2028	155,000	102,388	257,388
2029	165,000	97,381	262,381
2030	175,000	91,856	266,856
2031	180,000	85,862	265,862
2032	190,000	79,388	269,388
2033	200,000	72,312	272,312
2034	210,000	64,625	274,625
2035	220,000	56,288	276,288
2036	230,000	47,287	277,287
2037	245,000	37,788	282,788
2038	255,000	27,788	282,788
2039	270,000	17,118	287,118
2040	280,000	5,775	285,775
	<u>\$ 3,790,000</u>	<u>\$ 1,754,205</u>	<u>\$ 5,544,205</u>

See accompanying auditors' report.

Harris County Municipal Utility District No. 287
TSI-5. Long-Term Debt Service Requirements
Series 2015--by Years
March 31, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 420,000	\$ 319,863	\$ 739,863
2021	420,000	296,763	716,763
2022	420,000	273,663	693,663
2023	420,000	251,088	671,088
2024	420,000	229,563	649,563
2025	420,000	212,763	632,763
2026	415,000	200,238	615,238
2027	415,000	187,788	602,788
2028	415,000	175,337	590,337
2029	415,000	162,887	577,887
2030	415,000	150,437	565,437
2031	415,000	137,987	552,987
2032	415,000	125,537	540,537
2033	415,000	113,087	528,087
2034	415,000	100,637	515,637
2035	415,000	87,668	502,668
2036	415,000	74,181	489,181
2037	415,000	60,693	475,693
2038	415,000	47,206	462,206
2039	415,000	33,719	448,719
2040	415,000	20,231	435,231
2041	415,000	6,744	421,744
	<u>\$ 9,160,000</u>	<u>\$ 3,268,080</u>	<u>\$ 12,428,080</u>

See accompanying auditors' report.

Harris County Municipal Utility District No. 287
TSI-5. Long-Term Debt Service Requirements
Series 2016--by Years
March 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 365,000	\$ 192,700	\$ 557,700
2021	365,000	185,400	550,400
2022	365,000	178,100	543,100
2023	365,000	170,800	535,800
2024	365,000	163,500	528,500
2025	365,000	156,200	521,200
2026	360,000	148,950	508,950
2027	360,000	141,750	501,750
2028	360,000	134,550	494,550
2029	360,000	127,350	487,350
2030	360,000	119,925	479,925
2031	360,000	112,050	472,050
2032	360,000	102,600	462,600
2033	360,000	91,800	451,800
2034	360,000	81,000	441,000
2035	360,000	70,200	430,200
2036	360,000	59,400	419,400
2037	360,000	48,600	408,600
2038	360,000	37,800	397,800
2039	360,000	27,000	387,000
2040	360,000	16,200	376,200
2041	360,000	5,400	365,400
	<u>\$ 7,950,000</u>	<u>\$ 2,371,275</u>	<u>\$ 10,321,275</u>

See accompanying auditors' report.

Harris County Municipal Utility District No. 287
TSI-5. Long-Term Debt Service Requirements
Series 2017 Road--by Years
March 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 455,000	\$ 303,362	\$ 758,362
2021	455,000	285,163	740,163
2022	455,000	266,962	721,962
2023	455,000	248,763	703,763
2024	455,000	232,837	687,837
2025	455,000	221,463	676,463
2026	455,000	212,362	667,362
2027	455,000	202,694	657,694
2028	455,000	191,888	646,888
2029	455,000	179,944	634,944
2030	455,000	167,431	622,431
2031	455,000	154,350	609,350
2032	455,000	140,700	595,700
2033	455,000	127,050	582,050
2034	455,000	113,116	568,116
2035	455,000	98,897	553,897
2036	455,000	84,394	539,394
2037	455,000	69,606	524,606
2038	455,000	54,534	509,534
2039	455,000	39,178	494,178
2040	450,000	23,625	473,625
2041	450,000	7,875	457,875
	<u>\$ 10,000,000</u>	<u>\$ 3,426,194</u>	<u>\$ 13,426,194</u>

See accompanying auditors' report.

Harris County Municipal Utility District No. 287
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
March 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 1,515,000	\$ 1,191,838	\$ 2,706,838
2021	1,530,000	1,132,401	2,662,401
2022	1,545,000	1,072,714	2,617,714
2023	1,570,000	1,012,480	2,582,480
2024	1,585,000	954,629	2,539,629
2025	1,600,000	905,296	2,505,296
2026	1,610,000	861,692	2,471,692
2027	1,630,000	816,756	2,446,756
2028	1,645,000	769,803	2,414,803
2029	1,675,000	720,422	2,395,422
2030	1,700,000	668,609	2,368,609
2031	1,720,000	614,153	2,334,153
2032	1,745,000	556,131	2,301,131
2033	1,775,000	495,276	2,270,276
2034	1,805,000	432,269	2,237,269
2035	1,830,000	366,684	2,196,684
2036	1,865,000	298,616	2,163,616
2037	1,715,000	234,031	1,949,031
2038	1,740,000	173,225	1,913,225
2039	1,500,000	117,015	1,617,015
2040	1,505,000	65,831	1,570,831
2041	1,225,000	20,019	1,245,019
	<u>\$ 36,030,000</u>	<u>\$ 13,479,890</u>	<u>\$ 49,509,890</u>

See accompanying auditors' report.

Harris County Municipal Utility District No. 287
TSI-6. Change in Long-Term Bonded Debt
March 31, 2019

	Bond Issue			
	Series 2011	Series 2012	Series 2014	Series 2015
Interest rate	4.0% - 5.875%	3.50% - 4.625%	3.0% - 5.0%	3.0% - 5.5%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/11 - 9/1/35	9/1/13 - 9/1/37	9/1/15 - 9/1/39	9/1/17 - 9/1/40
Beginning bonds outstanding	\$ 2,045,000	\$ 3,245,000	\$ 3,890,000	\$ 9,580,000
Bonds retired	(65,000)	(95,000)	(100,000)	(420,000)
Ending bonds outstanding	<u>\$ 1,980,000</u>	<u>\$ 3,150,000</u>	<u>\$ 3,790,000</u>	<u>\$ 9,160,000</u>
Interest paid during fiscal year	<u>\$ 110,799</u>	<u>\$ 137,539</u>	<u>\$ 138,713</u>	<u>\$ 342,963</u>
Paying agent's name and city	Wells Fargo Bank, Texas, N.A.			
Series 2011	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas			
Series 2012, 2014, 2015, 2016 and 2017 Road	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas			
Bond Authority:	Water, Sewer and Drainage Bonds	Parks and Recreational Bonds	Road Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 103,000,000	\$ 5,700,000	\$ 10,000,000	\$ 103,000,000
Amount Issued	(28,900,000)		(10,000,000)	
Remaining To Be Issued	<u>\$ 74,100,000</u>	<u>\$ 5,700,000</u>	<u>\$</u>	<u>\$ 103,000,000</u>

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investments balances as of March 31, 2019: \$ 4,344,263

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 2,250,450

See accompanying auditors' report.

Bond Issue

Series 2016	Series 2017 Road	Totals
2.0% - 3.0%	2.0% - 4.0%	
9/1; 3/1	9/1; 3/1	
9/1/17 -	9/1/19 -	
9/1/40	9/1/40	
\$ 8,315,000	\$ 10,000,000	\$ 37,075,000
(365,000)		(1,045,000)
<u>\$ 7,950,000</u>	<u>\$ 10,000,000</u>	<u>\$ 36,030,000</u>
<u>\$ 200,000</u>	<u>\$ 312,462</u>	<u>\$ 1,242,476</u>

Harris County Municipal Utility District No. 287

TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund

For the Last Five Fiscal Years

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Water service	\$ 449,749	\$ 444,945	\$ 434,387	\$ 412,312	\$ 333,493
Sewer service	625,138	611,614	613,714	569,020	479,874
Property taxes	1,476,891	1,064,479	1,144,682	886,954	961,987
Penalties and interest	25,955	26,641	25,246	36,474	41,224
Groundwater pumpage fees	344,774	324,011	274,927	226,735	182,755
Tap connection and inspection	209,601	111,400	337,444	297,846	340,475
Miscellaneous	49,700	54,832	36,951	28,792	15,902
Investment earnings	102,553	39,214	13,071	7,728	1,289
Total Revenues	<u>3,284,361</u>	<u>2,677,136</u>	<u>2,880,422</u>	<u>2,465,861</u>	<u>2,356,999</u>
Expenditures					
Current service operations					
Purchased services	466,154	405,472	398,093	380,637	268,549
Professional fees	204,980	187,292	211,777	221,683	310,412
Contracted services	403,594	355,859	421,126	419,416	376,155
Repairs and maintenance	366,428	267,010	375,874	308,106	120,077
Utilities	41,334	28,689	29,089	27,503	27,078
Leases	381,200	220,200	220,200	203,700	135,600
Administrative	72,335	59,263	48,836	50,089	42,786
Other	21,892	22,470	35,121	37,046	30,635
Capital outlay	396,559	1,116,212	52,427	184,541	187,367
Total Expenditures	<u>2,354,476</u>	<u>2,662,467</u>	<u>1,792,543</u>	<u>1,832,721</u>	<u>1,498,659</u>
Revenues Over Expenditures	<u>\$ 929,885</u>	<u>\$ 14,669</u>	<u>\$ 1,087,879</u>	<u>\$ 633,140</u>	<u>\$ 858,340</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
14%	17%	15%	17%	14%
19%	23%	21%	23%	20%
45%	40%	40%	37%	41%
1%	1%	1%	1%	2%
10%	12%	10%	9%	8%
6%	4%	12%	12%	14%
2%	2%	1%	1%	1%
3%	1%	*	*	*
100%	100%	100%	100%	100%

14%	15%	14%	15%	11%
6%	7%	7%	9%	13%
12%	13%	15%	17%	16%
11%	10%	13%	12%	5%
1%	1%	1%	1%	1%
12%	8%	8%	8%	6%
2%	2%	2%	2%	2%
1%	1%	1%	2%	1%
12%	42%	2%	7%	8%
71%	99%	63%	73%	63%
29%	1%	37%	27%	37%

Harris County Municipal Utility District No. 287

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Last Five Fiscal Years

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$ 3,040,892	\$ 2,519,806	\$ 1,937,953	\$ 1,399,444	\$ 702,533
Penalties and interest	28,990	11,757	13,409	10,833	3,179
Accrued interest on bonds sold			12,300	16,782	8,609
Miscellaneous					50
Investment earnings	63,386	25,028	8,296	1,562	253
Total Revenues	<u>3,133,268</u>	<u>2,556,591</u>	<u>1,971,958</u>	<u>1,428,621</u>	<u>714,624</u>
Expenditures					
Tax collection services	53,106	49,892	47,780	35,373	25,735
Debt service					
Principal	1,045,000	1,025,000	235,000	230,000	130,000
Interest and fees	1,246,500	1,079,142	857,983	516,016	399,773
Total Expenditures	<u>2,344,606</u>	<u>2,154,034</u>	<u>1,140,763</u>	<u>781,389</u>	<u>555,508</u>
Revenues Over Expenditures	<u>\$ 788,662</u>	<u>\$ 402,557</u>	<u>\$ 831,195</u>	<u>\$ 647,232</u>	<u>\$ 159,116</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
97%	99%	98%	98%	99%
1%	*	1%	1%	*
		1%	1%	1%
				*
2%	1%	*	*	*
100%	100%	100%	100%	100%
2%	2%	2%	2%	4%
33%	40%	12%	16%	18%
40%	42%	44%	36%	56%
75%	84%	58%	54%	78%
25%	16%	42%	46%	22%

Harris County Municipal Utility District No. 287
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended March 31, 2019

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600
 District Business Telephone Number: 713-860-6400
 Submission Date of the most recent District Registration Form
 (TWC Sections 36.054 and 49.054): May 21, 2018
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
 (Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Frank Sheehy	05/16 to 05/20	\$ 1,500	\$ 229	President
Dinh Ho	05/16 to 05/20	1,350	158	Vice President
Al Secor	05/18 to 05/22	750	184	Secretary
James Grisham	05/18 to 05/22	1,050	19	Assistant Secretary
Claudine Pacioni	05/18 to 05/22	1,950	1,654	Assistant Vice President
Consultants				
Allen Boone Humphries Robinson LLP <i>General legal fees</i>	2006	<u>Amounts Paid</u> \$ 225,533		Attorney
Environmental Development Partners, LLC	2012	285,244		Operator
McLennan & Associates, LP	2006	25,473		Bookkeeper
Tax Tech, Inc.	2006	19,397		Tax Collector
Harris County Appraisal District	Legislation	27,321		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2008	3,295		Delinquent Tax Attorney
BGE, Inc.	2006	108,580		Engineer
McGrath & Co., PLLC - CPA's	Annual	13,000		Auditor
Masterson Advisors, LLC	2018			Financial Advisor

* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.
 See accompanying auditors' report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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