

OFFICIAL STATEMENT DATED JULY 13, 2020

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

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

NEW ISSUE
BOOK-ENTRY ONLY
CUSIP No. 414965

RATINGS: (S&P– BAM) "AA" (stable outlook)
(See "BOND INSURANCE" herein)
Underlying Rating: S&P "BBB+"

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180

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

\$ 4,644,995.40

UNLIMITED TAX REFUNDING BONDS, SERIES 2020

Interest Accrues: July 1, 2020
Date of Delivery for Premium Compound Interest Bonds

Due: March 1, as shown on inside cover

The \$ 4,644,995.40 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds") are obligations solely of Harris County Municipal Utility District No. 180 (the "District") and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any other political subdivision or agency. See "THE BONDS--Source of and Security for Payment."

Interest on the Bonds scheduled to mature March 1, 2021 through 2028 and March 1, 2030 through 2035 (collectively, the "Current Interest Bonds") accrues from July 1, 2020 (the "Dated Date"), and will be payable March 1 and September 1 of each year, commencing September 1, 2020, and will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds scheduled to mature March 1, 2029 (the "Premium Compound Interest Bonds") will accrue from the date of delivery of the Bonds (the "Date of Delivery"), will be compounded on March 1 and September 1 of each year, commencing September 1, 2020, and will be payable only upon maturity. See "APPENDIX B--Schedule of Accreted Values for Premium Compound Interest Bonds." The Current Interest Bonds are issuable in the denominations of \$5,000 of principal amount or integral multiples thereof and the Premium Compound Interest Bonds are issuable in denominations of \$5,000 of the total amount of principal, plus initial premium, if any, and accreted interest payable upon maturity (the "Maturity Amount") or any integral multiple thereof, including both principal and interest. The Bonds are issuable only in fully registered form in the principal denominations of \$5,000 or integral multiples thereof initially registered solely in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds, until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, the Bonds shall be payable to Cede & Co., which will in turn, remit such amount to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS--Book-Entry-Only System."

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.

SEE INSIDE COVER PAGE FOR MATURITY SCHEDULE



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

The Bonds will be delivered when, as, and if issued by the District and accepted by the initial purchaser of the Bonds (the "Underwriter"), subject, amongst other things, to the approval of the Initial Bonds by the Attorney General of the State of Texas and by the approval of certain legal matters by Strawn & Richardson, P.C., Bellaire, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel. Certain matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Underwriter's Counsel. Delivery of the Bonds is expected through the facilities of DTC on August 18, 2020.

SAMCO Capital

MATURITY SCHEDULE

Bonds Dated: July 1, 2020

Due: March 1, as shown below

Current Interest Bonds

<u>Maturity March 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Initial Yield(a)</u>	<u>CUSIP (b)</u>	<u>Maturity March 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Initial Yield(a)</u>	<u>CUSIP (b)</u>
2021	\$230,000	4.000%	0.950%	414965JH7	****	****	****	****	****
2022	170,000	4.000%	0.970%	414965JJ3	2030(c)	\$460,000	2.000%	1.850%	414965JS3
2023	185,000	4.000%	1.000%	414965JK0	2031(c)	480,000	2.000%	1.960%	414965JT1
2024	180,000	4.000%	1.100%	414965JL8	2032(c)	490,000	2.000%	2.000%	414965JU8
2025	195,000	2.000%	1.310%	414965JM6	2033(c)	505,000	2.000%	2.080%	414965JV6
2026	210,000	2.000%	1.480%	414965JN4	2034(c)	520,000	2.000%	2.120%	414965JW4
2027	175,000	2.000%	1.590%	414965JP9	2035(c)	535,000	2.000%	2.170%	414965JX2
2028(c)	195,000	2.000%	1.690%	414965JQ7					

(Interest to accrue from the Dated Date)

Premium Compound Interest Bonds

<u>Maturity March 1</u>	<u>Principal Amount</u>	<u>Offering Price Per \$5,000 Maturity</u>	<u>Offering Yield(a)</u>	<u>CUSIP (b)</u>	<u>Total Payment At Maturity</u>
2029(d)	\$114,995.40	\$4,130.70	2.250%	414965JR5	\$460,000

(Interest to accrete from the Date of Delivery)

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

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

(c) Current Interest Bonds maturing on or after March 1, 2028, are subject to redemption prior to maturity at the option of the District, as a whole or, from time to time, in part, on March 1, 2027, or on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Optional Redemption."

(d) Premium Compound Interest Bonds are not subject to redemption prior to maturity.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX C--Specimen Municipal Bond Insurance Policy."

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Prices and Marketability

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

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or

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

Underwriter

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the "Underwriter") pursuant to a bond purchase agreement with the District (the "Bond Purchase Agreement") at a price of \$4,917,307.11 (being the par amount of the Bonds, plus a net premium on the Current Interest Bonds of \$45,686.20 and a premium on the Premium Compound Interest Bonds of \$265,029.00, less an underwriter's discount of \$38,403.49), plus accrued interest on the Bonds to the date of delivery. The obligation of the Underwriter to purchase the Bonds is subject to certain conditions contained in the Bond Purchase Agreement.

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

Municipal Bond Rating

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

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

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

SUMMARY

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

- The District -

Issuer/Description Harris County Municipal Utility District No. 180 (the “District”) was created effective March 13, 1979, by an order of the Texas Water Commission, presently known as the Texas Commission on Environmental Quality (“TCEQ”), and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District contains approximately 489.3140 acres. See “THE DISTRICT.”

Location Located approximately fifteen miles northwest of downtown Houston, the District is south of FM 1960, east of Bammel-North Houston Road, west of Stuebner-Airline Road and north of the Sam Houston Tollway. The District lies wholly within the exclusive extraterritorial jurisdiction of the City of Houston and within the boundaries of the Klein Independent School District. See “THE DISTRICT.”

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

Development Approximately 367.419 acres within the District have been developed into 1,564 single-family lots and a small number of multi-family units, church, commercial and school. Of the remaining acreage in the District, approximately 74.05 acres are developable but currently undeveloped and approximately 47.845 acres are designated for public use, rights-of-way and easements or otherwise not considered to be developable. As of May 2020, the District contained 1,505 occupied single family homes, 12 vacant single family homes, one multi-family complex, 135 commercial connections, and 47 homes under construction. The majority of the remaining undeveloped land in the District is owned by various entities related to or affiliated with RAJ Development Corporation, who is currently developing a majority of the tracts. See “THE DISTRICT–Status of Development.”

Recent Extreme Weather Events; Hurricane Harvey

The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e., “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017 and brought historic levels of rainfall during the successive four days. According to M. Marlon Ivy & Associates (the “Operator”), there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, to the best knowledge of the District, no homes or other improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

If a future weather event significantly damages all or a part of the improvement 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 “TAX PROCEDURES–Reappraisal of Property after Disaster” and “–Tax Payment Installments after Disaster;” and “RISK FACTORS–Recent Extreme Weather Events; Hurricane Harvey,” and “–Specific Flood Type Risks.”

Infection 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. 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 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.

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.

- The Bonds -

Description	The \$4,644,995.40 Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”) are dated July 1, 2020 and mature on March 1 of each of the years 2021 through 2035, both inclusive, in the principal amounts and bearing interest at the rates set forth on the inside cover hereof. The Bonds are being issued in part as Current Interest Bonds and in part as Premium Compound Interest Bonds, as shown on the inside cover page of this Official Statement. The Current Interest Bonds maturing on and after March 1, 2028, are subject to redemption, in whole or in part, at the option of the District at par plus any unpaid accrued interest on any date on or after March 1, 2027. The Premium Compound Interest Bonds are not subject to redemption prior to maturity. See “THE BONDS--Description” and “--Optional Redemption.”
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the District. The Bonds are obligations of the District and are not obligations of Harris County, the City of Houston, the State of Texas or any political subdivision other than the District. See "THE BONDS — Source of and Security for Payment."
Use of Proceeds	Proceeds of the Bonds will be used to refund \$750,000 of the Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2008, \$3,895,000 of the Unlimited Tax Bonds, Series 2013, and to pay the costs of issuance of the Bonds. See "THE BONDS — Use of Proceeds."
Qualified Tax-Exempt Obligations	The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and represents that the total amount of tax-exempt bonds (including the Bonds) issued by it during the calendar year 2020 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS--Qualified Tax-Exempt Obligations for Financial Institutions."
Payment Record	The District has previously issued \$29,585,000 in bonds, of which \$17,235,000 remain outstanding (the “Outstanding Bonds”). The District has never defaulted in the payment of its previously issued bonds. See “DISTRICT DEBT.”

Book-Entry Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. and Cede & Co. will make distribution of the amounts so paid to the beneficial owners of the Bonds (see “THE BONDS--Book-Entry Only System”).
Bond Counsel	Strawn & Richardson, P.C., Bellaire, Texas, Bond Counsel. See “LEGAL MATTERS.”
Financial Advisor	Blitch Associates, Inc., Houston, Texas.
Verification Agent	Ritz & Associates PA, Bloomington, Minnesota.
Paying Agent/ Registrar	UMB Bank n.a., Houston, Texas.
Municipal Bond Rating	The District made application to S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), which has assigned a rating of “BBB+” to the Bonds. See “SALE AND DISTRIBUTION OF THE BONDS--Municipal Bond Rating.”
Municipal Bond Rating and Municipal Bond Insurance	S&P is expected to assign a municipal rating of “AA” (stable outlook) as a result of a municipal bond insurance policy issued by Build America Mutual Assurance Company. See “SALE AND DISTRIBUTION OF THE BONDS--Municipal Bond Rating,” “BOND INSURANCE” and “APPENDIX C--Specimen Municipal Bond Insurance Policy.”

RISK FACTORS

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

**- Financial Highlights -
(Unaudited)**

2019 Taxable Assessed Valuation (100% of Market Value)	\$247,729,587	(a)
Direct Debt		
Outstanding Bonds (As of June 1, 2020)	\$17,235,000	
Less: The Refunded Bonds	(4,645,000)	
The Bonds	<u>4,644,995</u>	
Total Direct Debt	\$17,234,995	
Estimated Overlapping Debt	<u>14,336,543</u>	(b)
Direct and Estimated Overlapping Debt	<u>\$31,571,538</u>	
Direct Debt Ratios:		
Direct Debt to Value	6.96%	
Direct & Estimated Overlapping Debt to Value	12.74%	
2019 Tax Rate per \$100 of Assessed Value		
Debt Service	\$0.401	
Maintenance	<u>0.397</u>	
Total	<u>\$0.798</u>	
	<u>Current</u>	<u>Total</u>
2018 Tax Collection Percentage	99.27%	100.47%
Five-Year Average (2014/2018) Collection Percentage	98.97%	100.06%
Average Annual Debt Service Requirements (2021/44)		\$951,590
Maximum Annual Debt Service Requirements (2044)		\$1,040,375
Tax Rate Required to pay such Requirements at 98% Collection		
Average (2021/2044)		\$0.392
Maximum (2044)		\$0.429
Fund Balances as of June 12, 2020 (Cash & Investments)		
General Fund		\$3,154,449
Debt Service Fund (c)		\$709,672
Capital Projects Fund		\$9,182,706

(a) Certified by the Harris County Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."

(b) See "DISTRICT DEBT--Estimated Overlapping Debt."

(c) Neither Texas law nor the Bond Order requires that the District maintain any particular balance in such fund.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
\$ 4,644,995.40
Unlimited Tax Refunding Bonds, Series 2020

This Official Statement of Harris County Municipal Utility District No. 180 (the "District") is provided to furnish certain information with respect to the sale by the District of its \$ 4,644,995.40 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds").

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas and an order authorizing the issuance of the Bonds (the "Order") adopted by the Board of Directors of the District (the "Board"); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; Chapter 1207 of the Texas Government Code, as amended; and City of Houston Ordinance No. 97-416. See "THE BONDS." The Board has delegated final pricing of the Bonds to an authorized representative who will execute an approval certificate (the "Approval Certificate") on the date of sale of the Bonds to effectuate the sale. The Order and the Approval Certificate are collectively referred to herein as the "Bond Order."

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

THE BONDS

Description

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

The Bonds will bear interest at the per annum rates and are scheduled to mature on March 1 in the years and in the principal amounts and Maturity Amounts (hereinafter defined), as appropriate, shown on the inside cover page hereof. Interest on the Bonds scheduled to mature March 1 of the years 2021 through 2028 and March 1 of the years 2030 through 2035 (collectively, the "Current Interest Bonds") will be computed on the basis of a 360-day year of twelve 30-day months and will accrue from July 1, 2020, and be payable on September 1, 2020 and each March 1 and September 1 thereafter until the earlier of maturity or redemption. Interest on the Bonds scheduled to mature March 1, 2029 (the "Premium Compound Interest Bond") will accrete from the date of delivery of the Bonds, will be computed on the basis of a 360 day year of twelve 30-day months, will be compounded March 1 and September 1 of each year, commencing September 1, 2020, and will be payable only upon maturity. See "APPENDIX B--Schedule of Accreted Values for Premium Compound Interest Bonds." The Current Interest Bonds are issuable in denominations of \$5,000 of principal amount or integral multiples thereof and the Premium Compound Interest Bonds in denominations of \$5,000 of the total amount of principal, plus initial premium, if any, and accreted interest payable upon maturity (the "Maturity Amount") or any integral multiple thereof. Interest on Current Interest Bonds will be payable to the Registered Owners as of the fifteenth day of the next preceding month prior to each interest payment date (the "Record Date") by check or draft mailed to their addresses shown on the bond register kept by the Paying Agent/Registrar (hereinafter defined) or in accordance with other customary arrangements acceptable to the Paying Agent/Registrar and owner.

Principal of and interest on the Current Interest Bonds and the Maturity Amount of the Premium Compound Interest Bonds will be payable to Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), by the paying agent/registrar, initially UMB Bank, N.A., Houston, Texas (the "Paying Agent/Registrar"). Cede & Co. will make distribution of the amounts so paid to the beneficial owners of the Bonds. For so long as DTC shall continue to serve as securities depository for the Bonds, all transfers of beneficial ownership interest will be made by book-entry

only and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of the Bonds is to receive, hold or deliver any Bond certificate.

If at any time, DTC ceases to hold the Bonds as securities depository, then principal of the Bonds will be payable to the registered owner at maturity or redemption upon presentation and surrender at the principal payment office of the Paying Agent/Registrar.

Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th day of the month next preceding the interest payment date (the "Record Date").

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

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

Use of Proceeds

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

Sources:

Par Amount of Bonds	\$4,644,995.40
Reoffering Premium	310,715.20
Accrued Interest	<u>13,825.83</u>
Total Sources	<u>\$4,969,536.43</u>

Uses:

Deposit to Current Refunding Fund	\$4,745,235.00
Cost of Issuance	171,695.75
Underwriter's Discount	38,403.49
Deposit to Debt Service Fund	13,825.83
Miscellaneous	<u>376.36</u>
Total Uses	<u>\$4,969,536.43</u>

Proceeds of the Bonds will be used to currently refund the outstanding portions of the District’s Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2008 and the Unlimited Tax Bonds, Series 2013 (collectively, the “Refunded Bonds”), and to pay the costs of issuance of the Bonds. The Series 2008 Bonds will be redeemed on August 19, 2020 and the Series 2012 Bonds will be redeemed on September 1, 2020. The Refunded Bonds consist of the following:

<i><u>Maturity</u></i>	<i><u>Series 2008</u></i>		<i><u>Series 2008</u></i>		<i><u>Series 2013</u></i>		<i><u>Series 2013</u></i>	
	<i><u>Amount</u></i>		<i><u>Rate</u></i>		<i><u>Amount</u></i>		<i><u>Rate</u></i>	
2021	\$75,000	(a)	5.000%		\$70,000	(d)	2.900%	
2022	80,000	(b)	4.200%		50,000	(d)	2.900%	
2023	85,000	(b)	4.200%		60,000	(e)	3.600%	
2024	90,000	(b)	4.200%		45,000	(e)	3.600%	
2025	95,000	(b)	4.200%		55,000	(e)	3.600%	
2026	100,000	(c)	4.350%		65,000	(c)	4.200%	
2027	110,000	(c)	4.350%		25,000	(c)	4.200%	
2028	115,000	(c)	4.350%		40,000	(c)	4.200%	
2029					425,000		4.200%	
2030					445,000		4.300%	
2031					470,000		4.400%	
2032					495,000		4.450%	
2033					520,000		4.500%	
2034					550,000	(f)	4.625%	
2035					<u>580,000</u>	(f)	4.625%	
Totals	<u>\$750,000</u>				<u>\$3,895,000</u>			

- (a) Represents sinking fund redemption payment for term bond maturing on March 1, 2021.
- (b) Represents sinking fund redemption payment for term bond maturing on March 1, 2025.
- (c) Represents sinking fund redemption payment for term bond maturing on March 1, 2028.
- (d) Represents sinking fund redemption payment for term bond maturing on March 1, 2022.
- (e) Represents sinking fund redemption payment for term bond maturing on March 1, 2025.
- (f) Represents sinking fund redemption payment for term bond maturing on March 1, 2035.

Refunded Bonds

In the Bond Order, the District will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Bonds from money held by the The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the “Paying Agent for the Refunded Bonds”).

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

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

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

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

Book-Entry-Only System

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is a holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either

directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through DTC Participants, which will receive a credit for such purchases on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct or Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC. Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District or the Financial Advisor.

Registration and Transfer

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

Optional Redemption

The District reserves the right, at its option, to redeem the Current Interest Bonds maturing on and after March 1, 2028, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof on March 1, 2027, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. If fewer than all of the Current Interest Bonds are to be optionally redeemed, the particular maturities and amounts of Current Interest Bonds to be redeemed shall be selected by the District. If fewer than all of the Current Interest Bonds of a certain maturity are to be redeemed, the Paying Agent/Registrar shall select by lot those Current Interest Bonds to be redeemed (or such Current Interest Bonds shall be selected by DTC in accordance with its procedures while the Current Interest Bonds are in book-entry-only form).

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

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

Ownership

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

Source of and Security for Payment

The Bonds and the Outstanding Bonds (as hereinafter defined) (together with any additional unlimited tax and/or combination unlimited tax and revenue bonds as may hereafter be authorized and issued) are payable as to principal and interest from the proceeds of a continuing, direct, annual ad valorem tax without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy annually a tax sufficient in amount to pay principal of and interest on the Bonds, full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the District's Debt Service Fund and used solely to pay principal and interest on the Bonds, the Outstanding Bonds (hereinafter defined) and on any additional bonds payable from taxes which may be issued. See "Issuance of Additional Debt" below.

Replacement of Paying Agent/Registrar

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

Authority for Issuance

The District has issued four installments of unlimited tax and revenue bonds out of \$14,222,220 authorized at an election held within the District for that purpose on September 29, 1979 (and reauthorized at an election held June 6, 1981) and three installments of unlimited tax bonds out of \$70,700,000 authorized at elections held within the District for that purpose on May 9, 2009 and November 5, 2019. Following issuance of the Bonds, an aggregate of \$54,905,000 principal amount of unlimited tax bonds will remain authorized but unissued; the remaining \$432,220 unlimited tax and revenue bond authorization having been rescinded with the 2009 election. See "Issuance of Additional Debt."

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas and an order authorizing the issuance of the Bonds (the "Order") adopted by the Board of Directors of the District (the "Board"); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; Chapter 1207 of the Texas Government Code, as amended; and City of Houston Ordinance No. 97-416.

Outstanding Debt

The District has previously issued its \$1,255,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2008 (the "Series 2008 Bonds"); \$4,450,000 Unlimited Tax Bonds, Series 2013 (the "Series 2013 Bonds"); \$2,174,999 Unlimited Tax Refunding Bonds, Series 2014 (the "Series 2014 Bonds"); \$2,920,000 Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds"); and \$8,425,000 Unlimited Tax Bonds, Series 2019 (the "Series 2019 Bonds").

As of June 1, 2020, \$750,000 of the Series 2008 Bonds, \$3,895,000 of the Series 2013 Bonds, \$1,605,000 of the Series 2014 Bonds, \$2,625,000 of the Series 2015 Bonds, and \$8,360,000 of the Series 2019 Bonds remain outstanding

(collectively, the “Outstanding Bonds”). Excluding the Refunded Bonds, an aggregate of \$17,234,995 principal amount of the bonds remain outstanding (the “Remaining Outstanding Bonds”) after the delivery of the Bonds.

The District has timely made all payments due on the Outstanding Bonds.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Texas Commission on Environmental Quality (the “TCEQ”), to provide those improvements for which the District was created. The District has \$54,905,000 of unlimited tax bonds authorized by the District’s voters but unissued. The District expects to sell approximately \$5,000,000 in additional bonds within the twelve months.

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

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

Defeasance

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

Mutilated, Lost, Stolen or Destroyed Bonds

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

Annexation and Consolidation

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

Amendments to the Bond Order

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

Registered Owners' Remedies and Effects of Bankruptcy

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

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

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

Bankruptcy Limitation to Registered Owners' Rights

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

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and

is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a registered owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such registered owner's claim against the District.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") 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 an exhibit 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.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above

rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds 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 Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$459.6 million, \$126.1 million and \$333.5 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

THE DISTRICT

Description

The District is vested with all of the rights, privileges, authority, and functions conferred by the general laws of the State applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate, acquire, own, and maintain all water and wastewater facilities, improvements and the control and diversion of storm water. The District may also provide solid waste collection and disposal service and, subject to certain limitations, operate and maintain recreational facilities. The District is additionally empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to issue bonds for such purposes, after approval by the City of Houston and the TCEQ and the District's voters of the District's plans in such regard. The District is subject to the continuing supervisory jurisdiction of the TCEQ.

Management of the District

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

<u>Name</u>	<u>Title</u>	<u>Term Expires November</u>
Donald E. Beasley	President	2020
Michael Washington	Vice President	2022
Fitzgerald Plummer	Secretary	2020
John Rulon	Assistant Secretary	2022
Richard B. Mahaffy	Assistant Secretary	2022

The District has no employees but contracts for the services indicated below:

Auditor - The District's audited financial statements for the year ended July 31, 2019 were prepared by McCall Gibson Swedlund Barfoot PLLC, Houston, Texas, Certified Public Accountants. A copy of such audit appears herein as Appendix A.

Bond Counsel and General Counsel - The District has engaged Strawn & Richardson, P.C., Bellaire, Texas, as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of Bonds actually issued and sold; and therefore, such fees are contingent on the sale and delivery of the Bonds. In addition, Strawn & Richardson P.C. serves as general counsel to the District on matters other than the issuance of bonds. See "LEGAL MATTERS."

Bookkeeper - The District's bookkeeper is Municipal Accounts & Consulting, L.P., Houston, Texas.

Financial Advisor - The District's financial advisor is Blich Associates, Inc., Houston, Texas ("Blich").

Engineer - The consulting engineer for the District is A&S Engineers, Inc., Houston, Texas.

Operator - The District's System is operated by M. Marlon Ivy & Associates, Spring, Texas.

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

Previous Financial Advisor - The District's previous financial advisor was Carlin Short ("Short"), with whom Blich had been discussing the sale of Short's financial advisory business for several years. By Fall 2012, Blich and Short had come to an agreement whereby Short would recommend to his water district clients that Blich replace him as financial advisor. Since such replacement requires specific approval by each board of directors, there was no certainty that each such replacement would ensue. Consequently, in order to arrive at a sales price, it was agreed that Short would receive 50% of the financial advisory fees from bond sales received by Blich from Short's previous water district clients. Accordingly, 50% of the fee generated from the sale of the Bonds will be forwarded to Short.

Status of Development

Approximately 367.419 acres have been developed into 1,564 single family lots and a small number of multi-family units, church, commercial and school. As of May 2020, the District contained 1,505 occupied single family homes, 12 vacant single family homes, one multi-family complex, 135 commercial connections, and 47 homes under construction. The majority of the remaining undeveloped land in the District is owned by various entities related to or affiliated with RAJ Development Corporation, who is currently developing approximately 37 acres into 250 single-family lots.

Following is a breakdown of the land within the District, its present or intended use, and its projected equivalent single family connections (“ESFC”):

<u><i>Complete or Under Development</i></u>	<u><i>Acreage</i></u>	<u><i>ESFC</i></u>
Klein Arbor	20.6749	123
Champion Valley	4.2693	18
Champions Point Village, Sec 3	15.1400	86
Copper Falls	28.5790	120
Enclave at Kleinbrook	11.1050	38
Klein Place	2.0528	15
Traces, Sec 1 (Replats 2/4)	8.7970	77
Traces, Sec 2	43.8282	290
Traces, Sec 4	1.5983	11
Trace Meadow	2.7544	18
Kleinbrook, Sec 1	110.0519	392
Kleinbrook, Sec 2	9.1441	41
Kleinbrook, Sec 3	34.2975	152
Kleinbrook, Sec 4	20.6681	78
Kleinbrook, Sec 5	21.8658	105
Smoke Tree Apartments	8.8470	256
Commercial Development	<u>23.7449</u>	<u>135</u>
Subtotal (Developed Acreage)	367.4190	1,955
<i>Remaining Acreage</i>		
Remaining Developable Acreage	74.0500	
Drainage Easements	20.2130	
Pipeline Easements	7.2200	
Drill Sites	6.0600	
Landscape/Open Space	9.4720	
District Facilities	<u>4.8790</u>	<u>3</u>
Totals	<u>489.3140</u>	<u>1,958</u>

Photographs Taken in the District (September 2019)







DISTRICT DEBT

Debt Statement

2019 Taxable Assessed Valuation (100% of Market Value)	\$247,729,587	(a)
Direct Debt		
Outstanding Bonds (As of June 1, 2020)	\$17,235,000	
Less: The Refunded Bonds	(4,645,000)	
The Bonds	<u>4,644,995</u>	
Total Direct Debt	\$17,234,995	
Estimated Overlapping Debt	<u>14,336,543</u>	(b)
Direct and Estimated Overlapping Debt	<u><u>\$31,571,538</u></u>	
Direct Debt Ratios:		
Direct Debt to Value	6.96%	
Direct & Estimated Overlapping Debt to Value	12.74%	
Average Annual Debt Service Requirements (2021/44)	\$951,590	
Maximum Annual Debt Service Requirements (2044)	\$1,040,375	
Fund Balances as of June 12, 2020 (Cash & Investments)		
General Fund	\$3,154,449	
Debt Service Fund	\$709,672	(c)
Capital Projects Fund	\$9,182,706	

(a) Certified by the Harris County Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."

(b) See "Estimated Overlapping Debt," below.

(c) Neither Texas law nor the Bond Order requires that the District maintain any particular balance in such fund.

Estimated Overlapping Debt

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

<u>Jurisdiction</u>	<u>Debt As Of June 1, 2020</u>	<u>Overlapping Percent</u>	<u>Overlapping Amount</u>
Harris County (a) (b)	\$2,105,487,125	0.051%	\$1,073,798
Harris Co. Department of Education	6,320,000	0.051%	3,223
Harris Co. Flood Control District	83,075,000	0.051%	42,368
Harris Co. Hospital District	86,050,000	0.051%	43,886
Klein Independent School District	1,125,655,000	1.085%	12,213,357
Lone Star College System	570,855,000	0.117%	667,900
Port of Houston Authority	572,569,397	0.051%	<u>292,010</u>
Estimated Overlapping Debt			\$14,336,543
The District (includes the Bonds and excludes the Refunded Bonds)			<u>17,234,995</u>
Total Direct & Estimated Overlapping Debt			<u><u>\$31,571,538</u></u>

(a) Includes \$220,305,000 Toll Tax and Subordinate Lien Road Bonds, which have historically been paid from toll road revenues and not ad valorem taxes.

(b) Includes \$406,485,000 Flood Control Contract Bonds, payable from Harris County tax funds.

Debt Service Schedule

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

<u>Year</u>	<u>Outstanding Debt Service</u>	<u>Refunded Debt Service</u>	<u>The Bonds Principal</u>	<u>The Bonds Interest</u>	<u>The Bonds Total D/S</u>	<u>Grand Total Debt Service</u>
2020	\$974,855	(\$101,321)		\$17,650	\$17,650	\$891,184
2021	1,031,828	(344,753)	\$230,000	101,300	331,300	1,018,375
2022	1,029,558	(324,458)	170,000	93,300	263,300	968,400
2023	1,026,763	(334,188)	185,000	86,200	271,200	963,775
2024	1,023,298	(318,623)	180,000	78,900	258,900	963,575
2025	1,019,088	(327,938)	195,000	73,350	268,350	959,500
2026	1,018,056	(336,413)	210,000	69,300	279,300	960,744
2027	1,016,574	(299,955)	175,000	65,450	240,450	957,069
2028	1,015,934	(313,696)	195,000	61,750	256,750	958,988
2029	1,019,114	(571,430)	460,000	59,800	519,800	867,484
2030	1,020,503	(572,938)	460,000	55,200	515,200	962,766
2031	1,020,424	(678,030)	480,000	45,800	525,800	968,194
2032	1,018,933	(581,676)	490,000	36,100	526,100	963,356
2033	1,020,978	(583,963)	505,000	26,150	531,150	968,166
2034	1,021,216	(589,544)	520,000	15,900	535,900	967,572
2035	1,019,619	(593,413)	535,000	5,350	540,350	966,556
2036	1,019,181					1,019,181
2037	1,020,119					1,020,119
2038	1,025,016					1,025,016
2039	1,028,619					1,028,619
2040	1,031,056					1,031,056
2041	1,032,869					1,032,869
2042	1,038,994					1,038,994
2043	1,038,809					1,038,809
2044	<u>1,040,375</u>					<u>1,040,375</u>
	<u>\$25,571,775</u>	<u>(\$6,772,335)</u>	<u>\$4,990,000</u>	<u>\$891,500</u>	<u>\$5,881,500</u>	<u>\$24,680,940</u>

Average Annual Debt Service (2021/2044) \$ 951,590
 Maximum Annual Debt Service (2044) \$ 1,040,375

Note: The Premium Compound Interest Bonds are presented on this schedule at their maturing amount.

Historical Operations of the Debt Service Fund

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

	<i>Fiscal Year Ended July 31,</i>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues					
Property Taxes	\$765,569	\$731,632	\$722,795	\$727,094	\$733,820
Other	<u>30,587</u>	<u>36,537</u>	<u>21,396</u>	<u>20,770</u>	<u>14,415</u>
Total Revenues	\$796,156	\$768,169	\$744,191	\$747,864	\$748,235
Expenditures					
Principal Paid	\$286,561	\$288,438	\$340,000	\$255,000	\$250,000
Interest Paid	439,589	440,113	388,051	348,429	287,054
Cost of Collection	<u>40,100</u>	<u>47,544</u>	<u>43,000</u>	<u>39,367</u>	<u>43,791</u>
Total Expenses	<u>\$766,250</u>	<u>\$776,095</u>	<u>\$771,051</u>	<u>\$642,796</u>	<u>\$580,845</u>
Net Revenues	\$29,906	(\$7,926)	(\$26,860)	\$105,068	\$167,390
Beginning Fund Balance	627,793	635,719	662,579	557,511	390,121
Ending Fund Balance	<u>\$657,699</u>	<u>\$627,793</u>	<u>\$635,719</u>	<u>\$662,579</u>	<u>\$557,511</u>
Ending Cash/Investments	<u>\$661,351</u>	<u>\$633,250</u>	<u>\$640,476</u>	<u>\$670,413</u>	<u>\$563,285</u>

TAX PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Remaining Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see “RISK FACTORS – Future Debt”), and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under “THE BONDS – Source of and Security for Payment.” Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System and for the payment of certain contractual obligations. Voters in the District authorized the levy of a maintenance and operation tax of an unlimited amount. For tax year 2019, a maintenance and operation tax of \$0.397 per \$100 assessed value is levied within the District.

Property Tax Code and County-Wide Appraisal Districts

Title I of the Texas Tax Code (the “Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Tax Code are complex and are not fully summarized here. The Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district.. The Harris County Appraisal District (the “Appraisal District”) has the

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District currently grants a \$10,000 homestead exemption to persons who are 65 years of age or older and to disabled homestead owners. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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

Residential Homestead Exemptions: The Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District currently grants no percentage homestead exemption.

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

Tax Abatement

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

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

property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous five years for agricultural use and taxes for the previous five years for open space land and timberland.

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

District and Taxpayer Remedies

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

The 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 Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

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

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 “Financial Highlights” for a description of the District’s current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as “Special Taxing Units.” Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected

build-out of the district are classified as “Developed Districts.” Districts that do not meet either of the classifications previously discussed can be classified herein as “Developing Districts.” The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

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

District's Rights in the Event of Tax Delinquencies

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

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

Reappraisal of Property after Disaster

The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property. Although the Texas governor declared Harris County (and therefore the District) a disaster area after Hurricane Harvey, the District did not authorize a reappraisal of property in the District.

Tax Payment Installments after Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date. The District does not anticipate that taxpayers in the District, if any, that choose to pay taxes in installments as a result of Hurricane Harvey will have a material effect on the District's finances or its ability to pay debt service on the Bonds.

TAX DATA

General

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

Tax Collection History

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

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Debt Rate</u>	<u>M&O Rate</u>	<u>Total Rate</u>	<u>Tax Levy</u>	<u>Percent Current</u>	<u>Percent Total</u>	<u>Yr. End Sept 30</u>
2008	\$181,093,695	\$0.700	\$0.200	\$0.900	\$1,630,572	98.83%	100.75%	2009
2009	167,374,086	0.650	0.250	0.900	1,508,789	98.92%	99.80%	2010
2010	155,375,681	0.610	0.290	0.900	1,402,152	99.10%	101.47%	2011
2011	141,028,199	0.610	0.290	0.900	1,269,917	97.83%	98.52%	2012
2012	130,474,264	0.640	0.340	0.980	1,278,863	99.03%	101.35%	2013
2013	130,972,341	0.640	0.340	0.980	1,281,422	99.23%	99.75%	2014
2014	152,603,528	0.483	0.347	0.830	1,269,143	98.85%	99.37%	2015
2015	175,457,844	0.415	0.380	0.795	1,395,708	98.68%	99.55%	2016
2016	199,994,603	0.362	0.393	0.755	1,512,948	98.71%	100.46%	2017
2017	213,693,132	0.340	0.387	0.727	1,556,177	99.33%	100.47%	2018
2018	227,248,935	0.340	0.393	0.727	1,653,074	99.27%	100.47%	2019
2019	247,729,587	0.401	0.397	0.798	1,968,269	96.62%	97.30%	2020 (a)

(a) Collections through June 9, 2020 only.

Estimated Overlapping Taxes

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

<u><i>Taxing Entities</i></u>	<u><i>2019 Tax Rate</i></u>
Harris County	\$0.407130
Harris Co. Department of Education	0.005000
Harris Co. Emergency Services District No. 11	0.034707
Harris Co. Emergency Services District No. 20	0.100000
Harris Co. Flood Control District	0.027920
Harris Co. Hospital District	0.165910
Klein Independent School District	1.360000
Lone Star College System	0.107800
Port of Houston Authority	<u>0.010740</u>
Overlapping Taxes	\$2.219207
The District	<u>0.798000</u>
Total Direct & Overlapping Taxes	<u><u>\$3.017207</u></u>

Analysis of Tax Base

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

	<u>2019 Amount</u>	<u>2019 %'s</u>	<u>2018 Amount</u>	<u>2018 %'s</u>
Land	\$55,291,026	20.00%	\$51,410,468	20.12%
Improvements	214,128,763	77.44%	196,425,667	77.28%
Personal Property	<u>7,076,664</u>	2.56%	<u>6,609,048</u>	2.60%
Subtotal	\$276,496,453		\$254,445,183	
Less Exemptions (a)	<u>(29,846,227)</u>		<u>(27,196,248)</u>	
Total Taxable Value	<u>\$246,650,226</u>		<u>\$227,248,935</u>	
	<u>2017 Amount</u>	<u>2017 %'s</u>	<u>2016 Amount</u>	<u>2016 %'s</u>
Land	\$43,228,691	18.02%	\$41,198,686	18.01%
Improvements	190,140,944	79.25%	181,006,778	79.12%
Personal Property	<u>6,558,474</u>	2.73%	<u>6,568,518</u>	2.87%
Subtotal	\$239,928,109		\$228,773,982	
Less Exemptions (a)	<u>(26,234,977)</u>		<u>(28,779,379)</u>	
Total Taxable Value	<u>\$213,693,132</u>		<u>\$199,994,603</u>	

(a) See "TAX PROCEDURES–Property Subject to Taxation by the District" for exemption details.

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

Principal Taxpayers

<i><u>Name of Taxpayer</u></i>	<i><u>Type of Property</u></i>	<i><u>2019 Ass'd Value</u></i>	<i><u>% Total 2019 AV</u></i>	<i><u>2018 Ass'd Value</u></i>	<i><u>% Total 2018 AV</u></i>
Smoketree Apartments	Apartments	\$7,800,000	3.16%	\$7,000,000	3.08%
Champions Valley Townhomes	Townhomes	4,767,201	1.93%	3,690,084	1.62%
FSAP Interests Inc	Light Industrial	3,652,325	1.48%	3,415,370	1.50%
Trust A of Richards Family	Drugstore (Walgreens)	2,772,386	1.12%	2,800,996	1.23%
Mangat Hardial Singh	Land/Improv	2,095,787	0.85%	2,086,302	0.92%
Centerpoint Energy Houston	Electric Utility	1,522,160	0.62%	1,422,910	0.63%
Edealervantage LLC	Warehouse	1,159,041	0.47%	1,182,641	0.52%
Comcast of Houston LLC	Cable Utility	717,070	0.29%	680,000	0.30%
Bammel Star LLC	Convenience Store	641,628	0.26%	(a)	
Pamma Enterprises Inc	Vehicles	635,048	0.26%	(a)	
GR Zakhireh Family LP	Land/Improv	(a)		634,462	0.28%
Champion Tire & Auto	Tire Store	(a)		579,367	0.25%
Total--Top Ten		<u>\$25,762,646</u>	<u>10.45%</u>	<u>\$23,492,132</u>	<u>10.34%</u>

(a) Not among top ten taxpayers this year.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2019 Taxable Value (\$247,729,587). The calculations assume collection of 98% of taxes levied and the sale of no additional bonds (other than the Bonds) by the District.

Average Annual Debt Service Requirements (2021/2044)	\$951,590
Tax Rate of \$0.392 on the 2019 Taxable Value produces	\$951,678
Maximum Annual Debt Service Requirements (2044)	\$1,040,375
Tax Rate of \$0.429 on the 2019 Taxable Value produces	\$1,041,505

THE SYSTEM

Regulation

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

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

Description of the System

According to the District's Engineer, the total number of connections projected for the District at full development of approximately 489.314 acres located in the District is 3,034 equivalent connections. A description of the primary components of the System follows and is based upon information supplied by the Engineer based on drawings and data furnished by others.

Proceeds of the sale of the District's previously issued bonds were used to finance the construction or acquisition of underground water supply and water distribution lines; wastewater collection lines, a wastewater treatment plant and lift stations; and stormwater drainage facilities to serve an aggregate of 1,881 fully developed single-family lots in the District and a small number of multi-family units, church, commercial and school, for a total of approximately 367.419 acres currently developed within the District. Of the remaining approximately 74.05 developable acres within the District, future bonds will provide for the reimbursement to developers of the underground utilities. Approximately 47.845 acres of land within the District are designated for public use, rights-of-way and easements not considered as developable. The major trunk sewers and distribution lines were previously constructed to serve existing and future development; other lines will be added as development occurs.

- Wastewater System -

The District owns and operates its own wastewater treatment plant ("WWTP") rated at 950,000 gallons per day ("gpd"). A fully developed wastewater collection system was constructed using proceeds of the District's previously issued bonds. Currently, the WWTP is not operating at its permitted capacity. The WWTP consists of two existing bullseye units, rated for 0.625 million gallons per day ("MGD") and 0.375 MGD. The existing 0.375 MGD unit is currently not in operation. The WWTP is adequately sized to support 2,083 equivalent single family connections ("ESFC") at 300 gallons per day/ESFC, which is adequate to serve the existing 1,881 ESFCs.

- Water System -

The District currently owns and operates a water plant, with a 1,000 gallon per minute ("gpm") water well, a 1,500 gpm water well, 920,000 gallons of ground storage, two 20,000 gallon hydropneumatic tanks, 4,800 gpm capacity of booster pumps (plus a proposed 1,400 gpm of additional capacity), disinfectant facilities, electrical controls and appurtenant equipment. The water plant is adequate to support 2,400 equivalent connections, which is adequate to serve the existing 1,881 ESFCs.

-Storm Drainage and the 100 Year Flood Plain-

All developed areas within the District have underground storm sewers that eventually discharge into storm water detention basins or an open channel drainage system. The storm sewer system was developed using proceeds of the

Outstanding Bonds. Harris County has operation of some of the underground storm sewers; the Harris County Flood Control District maintains the open channel drainage system and the District maintains the basins.

“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 a probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probably inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. The District’s drainage system has been designed and constructed to all current standards.

According to the District’s Engineer, the current FIRM, (Panel number 48201C0435M dated October 16, 2013, and panel number 48201C0455L dated June 18, 2007), which covers the land located in the District, indicates that approximately 41.5 acres are in the flood plain. This includes approximately 168 homes within the flood plain.

-Conversion to Surface Water-

The District is located within the boundaries of the Harris-Galveston Coastal Subsidence District (“Subsidence District”) and the West Harris County Regional Water Authority (“WHCRWA”). The WHCRWA was created to provide for conversion of the area within its boundaries from groundwater usage to alternative sources of water supply (e.g., surface water). The WHCRWA covers an area located in western Harris County and adjacent to the City of Houston. Pursuant to an order of the Subsidence District and the WHCRWA’s Groundwater Reduction Plan (as approved by the Subsidence District), the area within the boundaries of the WHCRWA was converted to at least 30% alternate source (e.g., surface) water use by 2010 and must be converted to at least 60% alternate source water use by 2025, and 80% alternate source water use by 2035. To implement the required conversion to alternate source water use in accordance with such schedule, the WHCRWA has designed and plans to construct and operate a network of transmission and distribution lines, storage tanks, and pumping stations to transport and distribute water within the WHCRWA (the “WHCRWA System”). In addition, the WHCRWA has entered into a water supply contract to secure a long-term supply of treated surface water from the City of Houston.

The District is subject to the WHCRWA’s Groundwater Reduction Plan. Accordingly, the District must pay a capital contribution to the WHCRWA to cover the District’s proportionate share of the costs associated with the acquisition and construction of the WHCRWA System (including the costs associated with the acquisition of alternate sources of water supply). (The District may also elect to pay its share of such costs over time through payment of higher fees to the WHCRWA.) Payment of such costs will entitle the District to participate in the WHCRWA surface water conversion project and to purchase water from or through the facilities of the WHCRWA. Noncompliance with the WHCRWA’s Groundwater Reduction Plan and nonparticipation in the WHCRWA’s surface water conversion project could result in the District’s exclusion from the WHCRWA’s Groundwater Reduction Plan and assessment of the Subsidence District’s disincentive fee (currently \$9.24 per 1,000 gallons) against groundwater pumped from wells located within the District.

Groundwater pumped from wells located within the District is not currently subject to the Subsidence District’s groundwater disincentive fee. However, groundwater pumped from wells located within the District is subject to a \$2.95 per 1,000 gallon pumpage fee (the “Pumpage Fee”), that is assessed and collected by the WHCRWA pursuant to the WHCRWA’s Groundwater Reduction Plan. The Pumpage Fee may further increase in the future. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future to finance the acquisition and construction of surface water infrastructure (whether such costs are incurred directly by the District or through projects undertaken by the WHCRWA). The WHCRWA has issued seventeen series of revenue bonds and four series of revenue refunding bonds, with an aggregate principal amount outstanding as of June 1, 2020 of \$1,045,060, to finance costs related to the design, acquisition and construction of the Surface Water Facilities, and is expected to issue additional bonds in the future.

Rate Order

The District’s utility rate order, subject to change from time to time by Board, is summarized in part below and became effective on December 13, 2019:

-Water Rates-

<i>Residential</i>	
First 3,000 gallons	\$13.00 minimum
Next 7,000 gallons	\$1.20/1,000 gallons
Next 10,000 gallons	\$1.35/1,000 gallons
Next 10,000 gallons	\$1.55/1,000 gallons
Over 30,000 gallons	\$1.65/1,000 gallons

In addition, in order to pay for Groundwater Reduction Costs, all classes of water customers shall pay the most current assessment levied by the WHCRWA plus twenty percent (20%) per 1,000 gallons used.

-Sewer Rates-

(Based on water consumption)

<i>Residential</i>	
First 3,000 gallons	\$28.64 minimum
Next 7,000 gallons	\$1.20/1,000 gallons
Next 10,000 gallons	\$1.35/1,000 gallons
Next 10,000 gallons	\$1.55/1,000 gallons
Over 30,000 gallons	\$1.65/1,000 gallons

Historical Operations of the General Operating Fund

The following statement sets forth in condensed form the historical operations of the District's General Operating Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such information has been prepared based upon information obtained from the District's audited financial statements (except for the ten month period ended May 31, 2020, which is based on District records), reference to which is made for further and complete information.

The Bonds are payable from the levy of an annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Although not pledged to the payment of the Bonds, net revenue from operations of the System, if any, are available for any legal purpose, including, upon Board action, payment of debt service on the Bonds. It is anticipated that no significant revenues, if any, will be available for debt service on the Bonds.

	<i>8/1/2019 to</i>	<i>Fiscal Year Ended July 31,</i>				
	<u>5/31/20 (a)</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues						
Property Taxes	\$947,067	\$900,909	\$828,883	\$781,995	\$661,636	\$526,110
Water Service	332,866	374,660	383,086	383,750	382,171	356,982
Wastewater Service	543,014	493,585	364,824	365,664	363,096	342,266
Water Authority Fees	432,824	441,555	430,830	394,699	359,144	301,429
Tap Connections	63,720	0	0	0	12,600	49,500
Other Revenues	<u>71,511</u>	<u>153,992</u>	<u>156,099</u>	<u>46,990</u>	<u>53,097</u>	<u>48,365</u>
Total Revenues	\$2,391,002	\$2,364,701	\$2,163,722	\$1,973,098	\$1,831,744	\$1,624,652
Expenses						
Professional Fees	\$96,174	\$253,102	\$93,069	\$124,260	\$111,141	\$109,644
Contracted Services	539,967	520,393	327,132	143,241	149,568	141,448
Utilities	139,522	177,003	168,438	162,080	210,355	200,955
Repairs/Maintenance	331,033	461,479	391,611	378,230	398,369	418,123
Water Authority Fees	377,217	433,586	415,138	369,485	419,846	284,245
Other Expenses	<u>290,827</u>	<u>327,842</u>	<u>332,489</u>	<u>247,974</u>	<u>269,940</u>	<u>280,116</u>
Total Expenditures	<u>\$1,774,740</u>	<u>\$2,173,405</u>	<u>\$1,727,877</u>	<u>\$1,425,270</u>	<u>\$1,559,219</u>	<u>\$1,434,531</u>
Net Revenue (Expense)	<u>\$616,262</u>	<u>\$191,296</u>	<u>\$435,845</u>	<u>\$547,828</u>	<u>\$272,525</u>	<u>\$190,121</u>
Beginning Fund Balance		3,469,770	3,156,841	2,724,823	2,446,813	2,273,288
Transfers In (Out)		0	0	0	5,485	0
Bond Issuance Costs		0	0	0	0	(5,485)
Capital Outlay	<u>(111,138)</u>	<u>(977,036)</u>	<u>(122,916)</u>	<u>(115,810)</u>	<u>0</u>	<u>(11,111)</u>
Ending Fund Balance		<u>\$2,684,030</u>	<u>\$3,469,770</u>	<u>\$3,156,841</u>	<u>\$2,724,823</u>	<u>\$2,446,813</u>
Ending Cash/Inv. (b)		<u>\$2,920,621</u>	<u>\$3,523,157</u>	<u>\$3,301,942</u>	<u>\$2,713,702</u>	<u>\$2,512,509</u>
Percent of Expenses		134.38%	203.90%	231.67%	174.04%	175.14%
Ending Active Customers		1,515	1,475	1,468	1,459	1,474

(a) Unaudited; based on District bookkeeper records.

(b) Exclusive of customer deposits.

RISK FACTORS

General

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

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. 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 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.

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

The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e., a "500-year flood" event) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to M. Marlon Ivey & Associates (the "Operator"), there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, to the best knowledge of the District, no homes or other improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region.

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

Specific Flood Type Risks

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

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

experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

Harris County Floodplain Regulations

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

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

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

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The growth of taxable values in the District is directly related to the vitality of the commercial development and housing and building industry in the Houston metropolitan area. The housing and building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions. In addition to a decline in housing demand, mortgage foreclosure by private banks and government and financial institutions can depress housing prices and the value of residential real estate in the Houston metropolitan area. The Houston economy is still dependent on energy prices and a precipitous decline in such prices could result in additional adverse effects on the economy.

Maximum Impact on District Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2019 Taxable Valuation is \$247,729,587. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement (2044) is \$1,040,375 and the average annual debt service requirements (2021/2044) is \$951,590. Assuming no increase or decrease from the 2019 Taxable Valuation and no use of funds other than tax collections, tax rates of \$0.429 and \$0.392 per \$100 assessed valuation at a 98% collection rate against the 2019 Assessed Valuation, respectively, would be necessary to pay such debt service requirements. The Board levied a tax rate of \$0.401 for debt service purposes and a tax rate of \$0.397 for maintenance and operation purposes for tax year 2019. See "DISTRICT DEBT--Debt Service Schedule" and "TAX DATA--Tax Rate Calculations."

Overlapping Tax Rates

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

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with

the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Because ownership of the land within the District may become highly fragmented among a number of taxpayers, attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer.

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the registered owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Order does not specifically provide for remedies to a registered owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the registered owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the registered owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the registered owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. For example, a Chapter IX bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the registered owners.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of registered owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owner's remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivisions.

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

Environmental Regulation

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston-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 State." The District must obtain a permit from the United States Army Corps of Engineers ("USACE") if operations of the District require that wetland be filled, dredged or otherwise altered.

In 2015, the EPA and the United States Army Corps of Engineers ("USACE") promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in 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 is effective June 22, 2020, and is currently the subject of ongoing litigation.

Due to 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.

Future Debt

Following issuance of the Bonds, the District has \$54,905,000 in authorized but unissued unlimited tax bonds. The District has the right to issue such bonds and such additional bonds as may hereafter be approved by both the Board and voters of the District. The remaining authorized but unissued bonds may be issued by the District from time to time as needed.

The District expects to sell approximately \$5,000,000 in additional bonds within the twelve months.

Proposed Tax Legislation

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

2019 Legislative Session

The 86th Texas Legislature convened on January 8, 2019 and adjourned on May 27, 2019. The Governor may call one or more additional special sessions, which may last no more than 30 days, and for which the Governor sets the agenda.

The Governor may call one or more additional special sessions, which may last no more than 30 days, and for which the Governor sets the agenda.

During the 86th Regular Legislative Session, the Texas Legislature passed Senate Bill 2 (“SB 2”), a law that materially changes ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which may have an adverse impact on the District’s operations and financial condition. SB 2 was signed into law by the Governor on June 12, 2019. See “TAX PROCEDURES – Rollback of Operation and Maintenance Tax Rate.”

Continuing Compliance with Certain Covenants

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

Marketability

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

Approval of the Bonds

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

LEGAL MATTERS

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

Legal Review

Bond Counsel has reviewed the information appearing in this Official Statement under the sections captioned: “THE BONDS” (except the subsection “--Book-Entry-Only System”), “THE DISTRICT–Description,” “TAX PROCEDURES–Authority to Levy Taxes,” “LEGAL MATTERS - Legal Opinions,” “LEGAL MATTERS–Legal Review,” and “CONTINUING DISCLOSURE OF INFORMATION” (except the subsection “--Compliance with Prior Undertakings”) solely to determine whether such information fairly summarizes matters of law with respect to the provisions of the documents referred to therein. Special Tax Counsel has reviewed the information in this Official Statement under the section captioned “TAX MATTERS” solely to determine whether such information correctly summarizes matters of law referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon

the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein, other than the matters discussed immediately above.

No-Litigation Certificate

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

No Material Adverse Change

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

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District secured by the proceeds of an ad valorem tax levied, without limit as to rate or amount, upon all taxable property in the District and, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the legal opinion of Bond Counsel to the effect that (1) the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and (2) are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

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

TAX MATTERS

Opinion

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

Counsel, that the Bonds are valid and binding obligations of the District payable from the proceeds of a generally-applicable ad valorem tax, (b) the District's federal tax certificate and the verification report prepared by Ritz & Associates PA and (c) covenants of the District with respect to arbitrage compliance, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure by the District to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount

of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

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

Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be "qualified tax-exempt obligations."

CONTINUING DISCLOSURE OF INFORMATION

The District, in the Bond Order, has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information

will be available free of charge from the Municipal Securities Rule Making Board (“MSRB”) via the Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “THE BONDS–Issuance of Additional Debt;” “DISTRICT DEBT–Debt Statement” and “–Debt Service Schedule;” “TAX DATA–Tax Collection History,” “–Estimated Overlapping Taxes,” “–Analysis of Tax Base,” and “–Principal Taxpayers;” and “APPENDIX A–Financial Statements of the District.”

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

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

Event Notices

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

or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and order of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

The term “Financial Obligation” shall mean, for purposes of the events in clauses (15) and (16), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing, or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12.

Availability of Information From EMMA

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

Due to an oversight, the District failed to include in its additional financial information statements, the section “THE BONDS—Issuance of Additional Debt,” for the fiscal years ended July 31, 2006 through and including 2018. The District

also failed to include the section "TAX DATA–Estimated Overlapping Taxes," for the fiscal years ended July 31, 2015 through and including 2018.

The District has implemented procedures to ensure timely and complete filing of all future submissions. Other than such omissions, during the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

VERIFICATION OF ACCURACY OF MATHEMATICAL CALCULATIONS

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

Ritz & Associates PA relied upon the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Ritz & Associates PA has relied on any information provided to it by the District's retained advisors, consultants or legal counsel.

PREPARATION OF OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the District's Engineer, the Appraisal District, the District's Tax Assessor/Collector and other sources believed to be reliable. The District, however, makes no representation as to the accuracy or completeness of the information derived from such sources. The summaries of the statutes, resolutions, orders, agreements and engineering and other related reports set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Consultants

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

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

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

Updating the Official Statement

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

Certification of Official Statement

The District, acting through the Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements and descriptions pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the Board has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading; however, the Board can give no assurance as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly certified and approved by the Board of Directors of Harris County Municipal Utility District No. 180 as of the date specified on the first page hereof.

/s/ Donald E. Beasley
President, Board of Directors
Harris County Municipal Utility District No. 180

ATTEST:

/s/ Fitzgerald Plummer
Secretary, Board of Directors
Harris County Municipal Utility District No. 180

APPENDIX A—Financial Statements of the District

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2019

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 180
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. 180 (the "District"), as of and for the year ended July 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors
Harris County Municipal
Utility District No. 180

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 10, 2019

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2019**

Management's discussion and analysis of Harris County Municipal Utility District No. 180's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended July 31, 2019. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2019**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$4,124,581 as of July 31, 2019. A portion of the District's net position reflects its net investment in capital assets (land and equipment as well as the water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The following table presents a comparative analysis of the Statement of Net Position as of July 31, 2019, and July 31, 2018.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2019</u>	<u>2018</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 5,335,232	\$ 6,970,592	\$ (1,635,360)
Capital Assets (Net of Accumulated Depreciation)	<u>8,605,655</u>	<u>6,978,565</u>	<u>1,627,090</u>
Total Assets	<u>\$ 13,940,887</u>	<u>\$ 13,949,157</u>	<u>\$ (8,270)</u>
Bonds Payable	\$ 9,118,772	\$ 9,395,999	\$ 277,227
Other Liabilities	<u>697,534</u>	<u>618,335</u>	<u>(79,199)</u>
Total Liabilities	<u>\$ 9,816,306</u>	<u>\$ 10,014,334</u>	<u>\$ 198,028</u>
Net Position:			
Net Investment in Capital Assets	\$ 877,090	\$ (91,060)	\$ 968,150
Restricted	537,729	528,245	9,484
Unrestricted	<u>2,709,762</u>	<u>3,497,638</u>	<u>(787,876)</u>
Total Net Position	<u>\$ 4,124,581</u>	<u>\$ 3,934,823</u>	<u>\$ 189,758</u>

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

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2019</u>	<u>2018</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 1,659,283	\$ 1,544,371	\$ 114,912
Charges for Services	1,332,306	1,220,494	111,812
Other Revenues	<u>188,444</u>	<u>187,692</u>	<u>752</u>
Total Revenues	<u>\$ 3,180,033</u>	<u>\$ 2,952,557</u>	<u>\$ 227,476</u>
Expenses for Services	<u>2,990,275</u>	<u>2,523,895</u>	<u>(466,380)</u>
Change in Net Position	\$ 189,758	\$ 428,662	\$ (238,904)
Net Position, Beginning of Year	<u>3,934,823</u>	<u>3,506,161</u>	<u>428,662</u>
Net Position, End of Year	<u>\$ 4,124,581</u>	<u>\$ 3,934,823</u>	<u>\$ 189,758</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of July 31, 2019, were \$4,731,936, a decrease of \$1,758,006 from the prior year.

The General Fund fund balance decreased by \$785,740, primarily due to operating and capital costs exceeding property tax and service revenues.

The Debt Service Fund fund balance increased by \$29,906, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$1,002,172, primarily due to current year capital outlay paid from bond proceeds received in prior years.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated General Fund budget for the current fiscal year. Actual revenues were \$161,781 more than budgeted revenues primarily due to higher property tax revenues and wastewater service revenues than budgeted. Actual expenditures were \$384,998 more than budgeted expenditures primarily due to higher professional fees, contracted services, repairs and maintenance costs and miscellaneous costs than budgeted.

CAPITAL ASSETS

Capital assets as of July 31, 2019, total \$8,605,655 (net of accumulated depreciation) and include land and equipment as well as the water, wastewater and drainage systems. Significant capital asset activity in the current year included costs related to Walking Trails Phases I and II, booster pump improvements, sanitary sewer rehabilitation, lift pump rehabilitation and sampler for the sewer treatment plant.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 504,026	\$ 504,026	\$
Construction in Progress	1,178,360	1,235,410	(57,050)
Capital Assets, Net of Accumulated Depreciation:			
Equipment	21,241	23,128	(1,887)
Water System	3,719,157	3,552,923	166,234
Wastewater System	2,506,897	964,707	1,542,190
Drainage System	675,974	698,371	(22,397)
Total Net Capital Assets	\$ 8,605,655	\$ 6,978,565	\$ 1,627,090

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2019**

LONG-TERM DEBT ACTIVITY

As of July 31, 2019, the District had bonds payable of \$9,240,000. The changes in the debt position of the District during the fiscal year ended July 31, 2019, are summarized as follows:

Bond Debt Payable, August 1, 2018	\$ 9,526,561
Less: Bond Principal Paid	<u>286,561</u>
Bond Debt Payable, July 31, 2019	<u>\$ 9,240,000</u>

The District carries an underlying rating of “BBB+”. The Series 2008 and Series 2014 Bonds carry insured ratings of “AA” by virtue of bond insurance issued by Assured Guaranty Municipal Corporation and Assured Guaranty Municipal, respectively. The Series 2013 Bonds carry an insured rating of “AA” by virtue of bond insurance issued by Municipal Assurance Corporation. The Series 2015 Bonds carry an insured rating of “AA” by virtue of bond insurance issued by Build America Mutual Assurance Company. The above ratings reflect changes, if any, through July 31, 2019.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 180, c/o Strawn & Richardson, P.C., 6750 West Loop South, Suite 865, Bellaire, Texas 77401.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 187,800	\$ 35,316
Investments	2,901,696	626,035
Receivables:		
Property Taxes	19,547	20,174
Penalty and Interest on Delinquent Taxes		
Service Accounts	97,640	
Accrued Interest	20,725	2,771
Due from Other Funds	4,028	
Prepaid Costs	16,468	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 3,247,904	\$ 684,296

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 100	\$ 223,216	\$	\$ 223,216
1,389,793	4,917,524		4,917,524
	39,721		39,721
		10,982	10,982
	97,640		97,640
	23,496		23,496
314	4,342	(4,342)	
	16,468	6,185	22,653
		504,026	504,026
		1,178,360	1,178,360
		6,923,269	6,923,269
<u>\$ 1,390,207</u>	<u>\$ 5,322,407</u>	<u>\$ 8,618,480</u>	<u>\$ 13,940,887</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2019

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 375,138	\$ 2,395
Accrued Interest Payable		
Due to Other Funds	314	4,028
Security Deposits	168,875	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 544,327	\$ 6,423
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 19,547	\$ 20,174
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 16,468	\$
Restricted for Authorized Construction		
Restricted for Debt Service		657,699
Unassigned	2,667,562	
TOTAL FUND BALANCES	\$ 2,684,030	\$ 657,699
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,247,904	\$ 684,296
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$	\$ 377,533	\$	\$ 377,533
		151,126	151,126
	4,342	(4,342)	
	168,875		168,875
		365,000	365,000
		8,753,772	8,753,772
<u>\$ -0-</u>	<u>\$ 550,750</u>	<u>\$ 9,265,556</u>	<u>\$ 9,816,306</u>
<u>\$ -0-</u>	<u>\$ 39,721</u>	<u>\$ (39,721)</u>	<u>\$ -0-</u>
\$	\$ 16,468	\$ (16,468)	\$
1,390,207	1,390,207	(1,390,207)	
	657,699	(657,699)	
	2,667,562	(2,667,562)	
<u>\$ 1,390,207</u>	<u>\$ 4,731,936</u>	<u>\$ (4,731,936)</u>	<u>\$ - 0 -</u>
<u>\$ 1,390,207</u>	<u>\$ 5,322,407</u>		
		\$ 877,090	\$ 877,090
		537,729	537,729
		2,709,762	2,709,762
		<u>\$ 4,124,581</u>	<u>\$ 4,124,581</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JULY 31, 2019

Total Fund Balances - Governmental Funds	\$	4,731,936
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Prepaid bond insurance costs are amortized over the term of the bonds.		6,185
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		8,605,655
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District.		50,703
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (151,126)	
Bonds Payable	<u>(9,118,772)</u>	<u>(9,269,898)</u>

Total Net Position - Governmental Activities	\$	<u>4,124,581</u>
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The accompanying notes to the financial statements are an integral part of this report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2019

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 900,909	\$ 765,569
Water Service	374,660	
Wastewater Service	493,585	
Water Authority Fees	441,555	
Penalty and Interest	21,534	19,143
Investment and Miscellaneous Revenues	132,458	11,444
TOTAL REVENUES	\$ 2,364,701	\$ 796,156
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 253,102	\$
Contracted Services	520,393	35,871
Utilities	177,003	
Repairs and Maintenance	461,479	
Water Authority Assessments	433,586	
Depreciation		
Other	327,842	4,229
Capital Outlay	977,036	
Debt Service:		
Bond Principal		286,561
Bond Interest		439,589
TOTAL EXPENDITURES/EXPENSES	\$ 3,150,441	\$ 766,250
NET CHANGE IN FUND BALANCES	\$ (785,740)	\$ 29,906
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - AUGUST 1, 2018	3,469,770	627,793
FUND BALANCES/NET POSITION - JULY 31, 2019	\$ 2,684,030	\$ 657,699

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,666,478	\$ (7,195)	\$ 1,659,283
	374,660		374,660
	493,585		493,585
	441,555		441,555
	40,677	(18,171)	22,506
44,542	188,444		188,444
<u>\$ 44,542</u>	<u>\$ 3,205,399</u>	<u>\$ (25,366)</u>	<u>\$ 3,180,033</u>
\$	\$ 253,102	\$	\$ 253,102
546	556,810		556,810
	177,003		177,003
	461,479		461,479
	433,586		433,586
		396,065	396,065
49	332,120		332,120
1,046,119	2,023,155	(2,023,155)	
	286,561	(286,561)	
	439,589	(59,479)	380,110
<u>\$ 1,046,714</u>	<u>\$ 4,963,405</u>	<u>\$ (1,973,130)</u>	<u>\$ 2,990,275</u>
\$ (1,002,172)	\$ (1,758,006)	\$ 1,758,006	\$
		189,758	189,758
2,392,379	6,489,942	(2,555,119)	3,934,823
<u>\$ 1,390,207</u>	<u>\$ 4,731,936</u>	<u>\$ (607,355)</u>	<u>\$ 4,124,581</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2019**

Net Change in Fund Balances - Governmental Funds	\$ (1,758,006)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(7,195)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	(18,171)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(396,065)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	2,023,155
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	286,561
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	<u>59,479</u>
Change in Net Position - Governmental Activities	<u>\$ 189,758</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 180 of Harris County, Texas (the “District”) was created effective March 13, 1979, by an Order of the Texas Water Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on March 14, 1979, and the first bonds were sold on July 15, 1980.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

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

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

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. At fiscal year end, the Debt Service Fund owed the General Fund \$4,028 for maintenance tax collections and the General Fund owed the Capital Projects Fund \$314 for construction related costs.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

The District chose to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements.

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

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

Budgeting

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

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered to be “employees” for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 3. LONG-TERM DEBT

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

	August 1, 2018	Additions	Retirements	July 31, 2019
Bonds Payable	\$ 9,526,561	\$	\$ 286,561	\$ 9,240,000
Unamortized Discounts	(130,562)		(9,334)	(121,228)
Bonds Payable, Net	\$ 9,395,999	\$ -0-	\$ 277,227	\$ 9,118,772
		Amount Due Within One Year		\$ 365,000
		Amount Due After One Year		8,753,772
		Bonds Payable, Net		\$ 9,118,772

The District's bonds payable at July 31, 2019, consist of the following:

	Series 2008	Series 2013
Amount Outstanding – July 31, 2019	\$ 820,000	\$ 3,955,000
Interest Rates	4.20% - 5.00%	2.90% - 4.625%
Maturity Dates – Serially Beginning/Ending	March 1, 2020/2028	March 1, 2020/2035
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	March 1, 2018*	September 1, 2020*

* Callable in whole or from time to time in part at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. The Series 2008 bonds maturing March 1, 2028, are term bonds and will be subject to mandatory redemption beginning March 1, 2027. The Series 2013 term bonds maturing March 1, 2022, March 1, 2025, March 1, 2028 and March 1, 2035 are subject to mandatory redemption beginning March 1, 2020, March 1, 2023, March 1, 2026 and March 1, 2034, respectively.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

	Refunding Series 2014	Series 2015
Amount Outstanding – July 31, 2019	\$ 1,770,000	\$ 2,695,000
Interest Rates	2.125% - 4.000%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2020/2028	March 1, 2020/2037
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	March 1, 2021*	September 1, 2022*

* Callable in whole or from time to time in part at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. The Series 2015 term bonds maturing March 1, 2030, March 1, 2032, March 1, 2034 and March 1, 2036 are subject to mandatory redemption beginning March 1, 2029, March 1, 2031, March 1, 2033 and March 1, 2035, respectively.

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

Fiscal Year	Principal	Interest	Total
2020	\$ 365,000	\$ 362,702	\$ 727,702
2021	375,000	351,155	726,155
2022	390,000	338,575	728,575
2023	400,000	325,615	725,615
2024	415,000	312,236	727,236
2025-2029	2,335,000	1,322,940	3,657,940
2030-2034	2,885,000	804,877	3,689,877
2035-2037	2,075,000	163,138	2,238,138
	\$ 9,240,000	\$ 3,981,238	\$ 13,221,238

District voters authorized the issuance of \$39,222,200 waterworks and sewer system combination unlimited tax and revenue bonds and unlimited tax bonds at elections held within the District in 1979, 1981, and 2009, \$432,220 of which were rescinded as a part of the 2009 election. As of July 31, 2019, \$17,630,000 remains authorized but unissued. In addition, refunding bonds of \$21,333,330 were authorized at an election held in 1990, \$19,145,000 of which have been issued. On July 12, 2019, the District adopted an order calling a bond election for additional bond authorization in the amount of \$45,700,000. As of the date of this report, the residents have not voted on the bond authorization.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District without limitation as to the rate or amount. Certain District bond issues are further payable from the net revenues, if any, to be received from the operation of the District's waterworks and wastewater system.

During the year ended July 31, 2019, the District levied an ad valorem debt service tax rate of \$0.334 per \$100 of assessed valuation, which resulted in a tax levy of \$759,459 on the adjusted taxable valuation of \$226,925,886 for the 2018 tax year. The bond orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

Levy Date - October 1 or as soon thereafter as practicable.
Lien Date - January 1.
Due Date - Upon receipt but no later than January 31.
Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The bond orders state that the District should take all necessary steps to comply with the requirement that rebatable arbitrage earnings, if any, on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the internal Revenue Code, be rebated to the federal government.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$2,403,216 and the bank balance was \$2,427,056. The District was not exposed to custodial credit risk at year-end.

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

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 187,800	\$ 1,940,000	\$ 2,127,800
DEBT SERVICE FUND	35,316	240,000	275,316
CAPITAL PROJECTS FUND	100		100
TOTAL DEPOSITS	\$ 223,216	\$ 2,180,000	\$ 2,403,216

Investments

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS), an external investment pool that is not SEC-registered. Public Trust Advisors LLC serves as the pool's administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS. Certificates of deposit are recorded at acquisition cost. As of July 31, 2019, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 961,696	\$ 961,696
Certificates of Deposit	1,940,000	1,940,000
 <u>DEBT SERVICE FUND</u>		
Texas CLASS	386,035	386,035
Certificate of Deposit	240,000	240,000
 <u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	1,389,793	1,389,793
TOTAL INVESTMENTS	\$ 4,917,524	\$ 4,917,524

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages credit risk by investing in certificates of deposit with balances below FDIC coverage. At July 31, 2019, the District's investments in Texas CLASS were rated AAAM by Standard and Poor's. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages interest rate risk by investing in certificates of deposit with maturities of one year or less. The District considers the investments in Texas CLASS to have a maturity of less than one year due to the face the share positions can be redeemed each day at the discretion of the District.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 6. CAPITAL ASSETS

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

	August 1, 2018	Increases	Decreases	July 31, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 504,026	\$	\$	\$ 504,026
Construction in Progress	1,235,410	2,023,155	2,080,205	1,178,360
Total Capital Assets Not Being Depreciated	<u>\$ 1,739,436</u>	<u>\$ 2,023,155</u>	<u>\$ 2,080,205</u>	<u>\$ 1,682,386</u>
Capital Assets Subject to Depreciation				
Equipment	\$ 37,737	\$	\$	\$ 37,737
Water System	7,014,468	453,081		7,467,549
Wastewater System	2,446,946	1,627,124		4,074,070
Drainage System	931,786			931,786
Total Capital Assets Subject to Depreciation	<u>\$ 10,430,937</u>	<u>\$ 2,080,205</u>	<u>\$ - 0 -</u>	<u>\$ 12,511,142</u>
Accumulated Depreciation				
Equipment	\$ 14,609	\$ 1,887	\$	\$ 16,496
Water System	3,461,545	286,847		3,748,392
Wastewater System	1,482,239	84,934		1,567,173
Drainage System	233,415	22,397		255,812
Total Accumulated Depreciation	<u>\$ 5,191,808</u>	<u>\$ 396,065</u>	<u>\$ - 0 -</u>	<u>\$ 5,587,873</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 5,239,129</u>	<u>\$ 1,684,140</u>	<u>\$ - 0 -</u>	<u>\$ 6,923,269</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 6,978,565</u>	<u>\$ 3,707,295</u>	<u>\$ 2,080,205</u>	<u>\$ 8,605,655</u>

NOTE 7. MAINTENANCE TAX

On April 7, 1979, the voters of the District approved the levy and collection of a maintenance tax in an unlimited amount per \$100 of assessed valuation of taxable property within the District. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.393 per \$100 of assessed valuation, which resulted in a tax levy of \$893,616 on the adjusted taxable valuation of \$226,925,886 for the 2018 tax year. This maintenance tax is to be used by the District for the operations and maintenance of the District and its properties.

NOTE 8. EMERGENCY WATER SUPPLY CONTRACTS

On January 12, 1998, the District executed an emergency water supply contract with Harris County Municipal Utility District No. 202 ("District No. 202"). The contract acknowledges that District No. 202 previously incurred the cost of making all connections between the districts. Each district is responsible for keeping detailed records of water supplied during an emergency. The rate charged for water will be \$0.50 per 1,000 gallons of water supplied. The contract is in force from the date of the original contract and for a period of 20 years.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 8. EMERGENCY WATER SUPPLY CONTRACTS (Continued)

On October 25, 2006, the District executed an Emergency Water Supply Contract with Harris County Utility District No. 15 (District No. 15) which supersedes the original contract between the districts dated May 1, 1996. The first amendment to this agreement was approved October 25, 2016. The term of the contract is ten years. The price to be paid by the district receiving water will be \$0.45 per 1,000 gallons of water delivered plus any reasonable costs incurred to deliver the water by the providing district including per gallon regional water authority or consortium pumpage fees. The contract has been extended through 2026.

The District entered into an emergency water supply agreement with Harris County Municipal Utility District No. 150 (“District No. 150”) on March 12, 1980. On December 31, 2002, the contract was amended. Under the terms of the contract, each district is responsible for constructing the necessary lines and facilities to the point of interconnect. Each district is responsible for maintaining at its sole cost the facilities it owns. The contract shall be in force for a period of 40 years from the date of execution. Per the amended agreement the price to be paid for water delivered shall be \$0.45 per 1,000 gallons of water delivered through the interconnect facilities. In addition, reasonable costs incurred by the supplying District in operating the interconnect during an emergency will be borne by the District receiving water, including the per gallon pumpage fees assessed by a regional authority or consortium for the surface water conversion and incurred by the supplying District. After the fifth anniversary date of the Agreement, upon request of either party, the districts agree to review the price per 1,000 gallons and to adjust the price based on the greater of each District’s respective cost to produce water. If the districts agree to an adjusted price, the parties shall amend the Agreement accordingly, and if not, the Agreement shall terminate. The price will not be adjusted more frequently than every five years.

NOTE 9. RISK MANAGEMENT

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

NOTE 10. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the West Harris County Regional Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the “Act”), as passed by the 77th Texas Legislature, in 2001. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection,

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 10. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY
(Continued)

recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Authority is overseeing that its participants comply with subsidence district pumpage requirements.

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current fee is \$2.95 per 1,000 gallons of water pumped from each well. The District recorded expenditures of \$433,586 for fees assessed during the current fiscal year.

NOTE 11. RESOLUTION AUTHORIZING USE OF SURPLUS FUNDS

On June 21, 2019, the District approved a resolution for the use of surplus funds in the amount of \$368,476 to reimburse the General Fund for the cost of sanitary sewer rehabilitation within the District.

NOTE 12. SUBSEQUENT EVENT – PENDING BOND SALE

Subsequent to year-end, on or around November 14, 2019, the District anticipates closing on the sale of its Series 2019 Unlimited Tax Bonds in the amount of \$8,425,000. The proceeds of the bonds will be used to construct a wastewater treatment plant reconfiguration and to rehabilitate the Copper Falls lift station. Additional proceeds will be used to pay engineering costs and issuance costs of the bonds.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2019

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 858,300	\$ 900,909	\$ 42,609
Water Service	386,400	374,660	(11,740)
Wastewater Service	369,660	493,585	123,925
Water Authority Fees	478,200	441,555	(36,645)
Penalty and Interest	20,100	21,534	1,434
Investment and Miscellaneous Revenues	<u>90,260</u>	<u>132,458</u>	<u>42,198</u>
TOTAL REVENUES	<u>\$ 2,202,920</u>	<u>\$ 2,364,701</u>	<u>\$ 161,781</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 121,600	\$ 253,102	\$ (131,502)
Contracted Services	347,900	520,393	(172,493)
Utilities	181,300	177,003	4,297
Water Authority Assessments	478,200	433,586	44,614
Repairs and Maintenance	312,000	461,479	(149,479)
Other	294,900	327,842	(32,942)
Capital Outlay	<u>1,029,543</u>	<u>977,036</u>	<u>52,507</u>
TOTAL EXPENDITURES	<u>\$ 2,765,443</u>	<u>\$ 3,150,441</u>	<u>\$ (384,998)</u>
NET CHANGE IN FUND BALANCE	\$ (562,523)	\$ (785,740)	\$ (223,217)
FUND BALANCE - AUGUST 1, 2018	<u>3,469,770</u>	<u>3,469,770</u>	<u>_____</u>
FUND BALANCE - JULY 31, 2019	<u>\$ 2,907,247</u>	<u>\$ 2,684,030</u>	<u>\$ (223,217)</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

JULY 31, 2019

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2019**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective October 12, 2018.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 13.00	3,000	N	\$ 1.20	3,001 to 10,000
				\$ 1.35	10,001 to 20,000
				\$ 1.55	20,001 to 30,000
				\$ 1.65	30,001 and up
WASTEWATER:	\$ 29.20	3,000	N	\$ 1.20	3,001 to 10,000
				\$ 1.35	10,001 to 20,000
				\$ 1.55	20,001 to 30,000
				\$ 1.65	30,001 and up

SURCHARGE:

Regional Water Authority Fees Current rate assessed plus 20%

District employs winter averaging for wastewater usage?

_____ X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$21.40 Wastewater: \$37.60 Surcharge \$35.40 Total \$94.40

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2019**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	<u>1,508</u>	<u>1,508</u>	x 1.0	<u>1,508</u>
1"	<u>7</u>	<u>7</u>	x 2.5	<u>18</u>
1½"	<u>1</u>	<u>1</u>	x 5.0	<u>5</u>
2"	<u>24</u>	<u>24</u>	x 8.0	<u>192</u>
3"			x 15.0	
4"	<u>1</u>	<u>1</u>	x 25.0	<u>25</u>
6"	<u>1</u>	<u>1</u>	x 50.0	<u>50</u>
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>1,542</u></u>	<u><u>1,542</u></u>		<u><u>1,798</u></u>
Total Wastewater Connections	<u><u>1,515</u></u>	<u><u>1,515</u></u>	x 1.0	<u><u>1,515</u></u>

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

Gallons pumped into system:	154,606,000	Water Accountability Ratio: 88%
		(Gallons billed/Gallons pumped)
Gallons billed to customers:	135,460,000	

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2019**

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

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

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

Entirely X Partly _____ Not at all _____

ETJ in which District is located:

City of Houston, Texas

Is the general membership of the Board appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2019

PROFESSIONAL FEES:	
Auditing	\$ 16,000
Engineering	174,609
Legal	<u>62,493</u>
TOTAL PROFESSIONAL FEES	<u>\$ 253,102</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 30,581
Operations and Billing	<u>129,371</u>
TOTAL CONTRACTED SERVICES	<u>\$ 159,952</u>
UTILITIES:	
Electricity	\$ 109,761
Street Lights	66,736
Telephone	<u>506</u>
TOTAL UTILITIES	<u>\$ 177,003</u>
REPAIRS AND MAINTENANCE	<u>\$ 461,479</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 30,415
Election Costs	4,350
Insurance	30,942
Office Supplies and Postage	29,095
Security Cameras	2,568
Travel and Meetings	42,472
Other	<u>17,578</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 157,420</u>
CAPITAL OUTLAY	<u>\$ 977,036</u>
TAP CONNECTIONS	<u>\$ 31,970</u>
SOLID WASTE DISPOSAL	<u>\$ 162,829</u>
SECURITY	<u>\$ 197,612</u>
OTHER EXPENDITURES:	
Chemicals	\$ 20,401
Laboratory Fees	34,507
Permit Fees	10,349
Inspection Fees	7,130
Water Authority Assessments	433,586
Regulatory Assessment	4,155
Sludge Hauling	<u>61,910</u>
TOTAL OTHER EXPENDITURES	<u>\$ 572,038</u>
TOTAL EXPENDITURES	<u>\$ 3,150,441</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
INVESTMENTS
JULY 31, 2019

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 961,696	\$
Certificate of Deposit	XXXX8335	2.75%	05/29/20	240,000	1,121
Certificate of Deposit	XXXX0376	2.35%	10/09/19	240,000	3,554
Certificate of Deposit	XXXX0355	2.35%	09/17/19	240,000	3,894
Certificate of Deposit	XXXX1994	2.50%	12/03/19	240,000	2,877
Certificate of Deposit	XXXX9564	2.65%	07/24/20	150,000	76
Certificate of Deposit	XXXX2692	2.45%	11/12/19	240,000	3,158
Certificate of Deposit	XXXX0280	2.50%	09/23/19	240,000	2,088
Certificate of Deposit	XXXX4741	2.40%	08/03/19	200,000	3,498
Certificate of Deposit	XXXX0348	2.60%	06/17/20	150,000	459
TOTAL GENERAL FUND				<u>\$ 2,901,696</u>	<u>\$ 20,725</u>
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0002	Varies	Daily	\$ 386,035	\$
Certificate of Deposit	XXXX6262	2.45%	08/08/19	240,000	2,771
TOTAL DEBT SERVICE FUND				<u>\$ 626,035</u>	<u>\$ 2,771</u>
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0004	Varies	Daily	\$ 1,389,793	\$ -0-
TOTAL - ALL FUNDS				<u>\$ 4,917,524</u>	<u>\$ 23,496</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2019

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
AUGUST 1, 2018	\$	20,971	\$	25,945
Adjustments to Beginning				
Balance		<u>5,869</u>	\$	<u>339</u>
		\$	26,840	\$
			<u>26,284</u>	
Original 2018 Tax Levy	\$	823,387	\$	699,774
Adjustment to 2018 Tax Levy		<u>70,229</u>	<u>893,616</u>	<u>759,459</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	920,456	\$
				785,743
TAX COLLECTIONS:				
Prior Years	\$	17,288	\$	14,604
Current Year		<u>883,621</u>	<u>900,909</u>	<u>765,569</u>
TAXES RECEIVABLE -				
JULY 31, 2019		<u>\$</u>	<u>19,547</u>	<u>\$</u>
				<u>20,174</u>
TAXES RECEIVABLE BY				
YEAR:				
2018		\$	9,995	\$
2017			2,532	2,225
2016			2,077	1,913
2015			1,732	1,891
2014			1,060	1,475
2013			789	1,485
2012			795	1,497
2011			457	961
2010			<u>110</u>	<u>233</u>
TOTAL		<u>\$</u>	<u>19,547</u>	<u>\$</u>
				<u>20,174</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2019

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PROPERTY VALUATIONS:				
Land	\$ 51,143,656	\$ 42,997,232	\$ 41,239,794	\$ 39,858,880
Improvements	196,425,667	190,140,944	181,303,131	159,945,166
Personal Property	6,609,048	6,415,019	6,521,210	6,548,026
Exemptions	<u>(27,252,485)</u>	<u>(25,675,581)</u>	<u>(28,673,708)</u>	<u>(30,791,364)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 226,925,886</u>	<u>\$ 213,877,614</u>	<u>\$ 200,390,427</u>	<u>\$ 175,560,708</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.334	\$ 0.340	\$ 0.362	\$ 0.415
Maintenance	<u>0.393</u>	<u>0.387</u>	<u>0.393</u>	<u>0.380</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.727</u>	<u>\$ 0.727</u>	<u>\$ 0.755</u>	<u>\$ 0.795</u>
ADJUSTED TAX LEVY*	<u>\$ 1,653,075</u>	<u>\$ 1,554,890</u>	<u>\$ 1,512,948</u>	<u>\$ 1,395,707</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.88 %</u>	<u>99.69 %</u>	<u>99.74 %</u>	<u>99.74 %</u>

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

Maintenance Tax – An unlimited tax rate per \$100 of assessed valuation was approved by voters on April 7, 1979.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2019

S E R I E S - 2 0 0 8			
Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2020	\$ 70,000	\$ 36,088	\$ 106,088
2021	75,000	32,587	107,587
2022	80,000	28,838	108,838
2023	85,000	25,477	110,477
2024	90,000	21,908	111,908
2025	95,000	18,127	113,127
2026	100,000	14,138	114,138
2027	110,000	9,787	119,787
2028	115,000	5,003	120,003
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
	\$ 820,000	\$ 191,953	\$ 1,011,953

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2019

S E R I E S - 2 0 1 3

Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2020	\$ 60,000	\$ 171,795	\$ 231,795
2021	70,000	170,055	240,055
2022	50,000	168,025	218,025
2023	60,000	166,575	226,575
2024	45,000	164,415	209,415
2025	55,000	162,795	217,795
2026	65,000	160,815	225,815
2027	25,000	158,085	183,085
2028	40,000	157,035	197,035
2029	425,000	155,355	580,355
2030	445,000	137,505	582,505
2031	470,000	118,370	588,370
2032	495,000	97,690	592,690
2033	520,000	75,663	595,663
2034	550,000	52,262	602,262
2035	580,000	26,825	606,825
2036			
2037			
	<u>\$ 3,955,000</u>	<u>\$ 2,143,265</u>	<u>\$ 6,098,265</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2019

SERIES - 2014 REFUNDING

Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2020	\$ 165,000	\$ 57,394	\$ 222,394
2021	160,000	53,888	213,888
2022	180,000	49,887	229,887
2023	180,000	44,938	224,938
2024	200,000	39,538	239,538
2025	200,000	33,288	233,288
2026	195,000	26,788	221,788
2027	245,000	18,987	263,987
2028	245,000	9,187	254,187
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
	<u>\$ 1,770,000</u>	<u>\$ 333,895</u>	<u>\$ 2,103,895</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2019

S E R I E S - 2 0 1 5

Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2020	\$ 70,000	\$ 97,425	\$ 167,425
2021	70,000	94,625	164,625
2022	80,000	91,825	171,825
2023	75,000	88,625	163,625
2024	80,000	86,375	166,375
2025	80,000	83,975	163,975
2026	90,000	81,575	171,575
2027	85,000	78,762	163,762
2028	85,000	76,000	161,000
2029	80,000	73,238	153,238
2030	85,000	70,438	155,438
2031	80,000	67,462	147,462
2032	80,000	64,662	144,662
2033	80,000	61,863	141,863
2034	80,000	58,962	138,962
2035	80,000	56,063	136,063
2036	690,000	53,062	743,062
2037	725,000	27,188	752,188
	<u>\$ 2,695,000</u>	<u>\$ 1,312,125</u>	<u>\$ 4,007,125</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2019

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 365,000	\$ 362,702	\$ 727,702
2021	375,000	351,155	726,155
2022	390,000	338,575	728,575
2023	400,000	325,615	725,615
2024	415,000	312,236	727,236
2025	430,000	298,185	728,185
2026	450,000	283,316	733,316
2027	465,000	265,621	730,621
2028	485,000	247,225	732,225
2029	505,000	228,593	733,593
2030	530,000	207,943	737,943
2031	550,000	185,832	735,832
2032	575,000	162,352	737,352
2033	600,000	137,526	737,526
2034	630,000	111,224	741,224
2035	660,000	82,888	742,888
2036	690,000	53,062	743,062
2037	725,000	27,188	752,188
	<u>\$ 9,240,000</u>	<u>\$ 3,981,238</u>	<u>\$ 13,221,238</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2019

Description	Original Bonds Issued	Bonds Outstanding August 1, 2018
Harris County Municipal Utility District No. 180 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2008	\$ 1,255,000	\$ 885,000
Harris County Municipal Utility District No. 180 Unlimited Tax Bonds - Series 2013	4,450,000	4,055,000
Harris County Municipal Utility District No. 180 Unlimited Tax Refunding Bonds - Series 2014	2,174,999	1,816,561
Harris County Municipal Utility District No. 180 Unlimited Tax Bonds - Series 2015	<u>2,920,000</u>	<u>2,770,000</u>
TOTAL	<u>\$ 10,799,999</u>	<u>\$ 9,526,561</u>

District voters authorized the issuance of \$39,222,200 waterworks and sewer system combination unlimited tax and revenue bonds and unlimited tax bonds at elections held within the District in 1979, 1981, and 2009, \$432,220 of which were rescinded as a part of the 2009 election. As of July 31, 2019, \$17,630,000 remains authorized but unissued. In addition, refunding bonds of \$21,333,330 were authorized at an election held in 1990, \$19,145,000 of which have been issued. On July 12, 2019, the District adopted an order calling a bond election for additional bond authorization in the amount of \$45,700,000. As of the date of this report, the residents have not voted on the bond authorization.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>					
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding July 31, 2019</u>		<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>			
\$	\$ 65,000	\$ 39,337	\$ 820,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	100,000	173,995	3,955,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	46,561	125,832	1,770,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	<u>75,000</u>	<u>100,425</u>	<u>2,695,000</u>		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 286,561</u>	<u>\$ 439,589</u>	<u>\$ 9,240,000</u>		

Debt Service Fund cash and investment balances as of July 31, 2019: \$ 661,351

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 734,513

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

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 900,909	\$ 828,883	\$ 781,995
Water Service	374,660	383,086	383,750
Wastewater Service	493,585	364,824	365,664
Water Authority Fees	441,555	430,830	394,699
Penalty and Interest	21,534	20,221	23,570
Investment and Miscellaneous Revenues	132,458	135,878	23,420
TOTAL REVENUES	\$ 2,364,701	\$ 2,163,722	\$ 1,973,098
EXPENDITURES			
Professional Fees	\$ 253,102	\$ 93,069	\$ 124,260
Contracted Services	520,393	327,132	143,241
Utilities	177,003	168,438	162,080
Repairs and Maintenance	461,479	391,611	378,230
Water Authority Assessments	433,586	415,138	369,485
Other	327,842	332,489	247,974
Capital Outlay	977,036	122,916	115,810
TOTAL EXPENDITURES	\$ 3,150,441	\$ 1,850,793	\$ 1,541,080
NET CHANGE IN FUND BALANCE	\$ (785,740)	\$ 312,929	\$ 432,018
BEGINNING FUND BALANCE	3,469,770	3,156,841	2,724,823
ENDING FUND BALANCE	\$ 2,684,030	\$ 3,469,770	\$ 3,156,841

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 661,636	\$ 526,110	38.1 %	38.3 %	39.7 %	36.1 %	32.3 %
382,171	356,982	15.8	17.7	19.4	20.9	22.0
363,096	342,266	20.9	16.9	18.5	19.8	21.1
359,144	301,429	18.7	19.9	20.0	19.6	18.6
24,001	20,776	0.9	0.9	1.2	1.3	1.3
47,181	77,089	5.6	6.3	1.2	2.3	4.7
<u>\$ 1,837,229</u>	<u>\$ 1,624,652</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 111,141	\$ 109,644	10.7 %	4.3 %	6.3 %	6.1 %	6.7 %
149,568	141,448	22.0	15.1	7.2	8.2	8.7
210,355	200,955	7.5	7.8	8.2	11.5	12.4
398,369	418,123	19.5	18.1	19.2	21.7	25.7
419,846	284,245	18.3	19.2	18.7	22.9	17.5
269,940	285,601	13.9	15.4	12.6	14.7	17.6
	11,111	41.3	5.7	5.9		0.7
<u>\$ 1,559,219</u>	<u>\$ 1,451,127</u>	<u>133.2 %</u>	<u>85.6 %</u>	<u>78.1 %</u>	<u>85.1 %</u>	<u>89.3 %</u>
\$ 278,010	\$ 173,525	(33.2) %	14.4 %	21.9 %	14.9 %	10.7 %
2,446,813	2,273,288					
<u>\$ 2,724,823</u>	<u>\$ 2,446,813</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 765,569	\$ 731,632	\$ 722,795
Penalty and Interest	19,143	31,444	19,295
Investment and Miscellaneous Revenues	11,444	5,093	2,101
TOTAL REVENUES	\$ 796,156	\$ 768,169	\$ 744,191
EXPENDITURES			
Tax Collection Expenditures	\$ 36,800	\$ 45,544	\$ 40,500
Debt Service Principal	286,561	288,438	340,000
Debt Service Interest and Fees	442,889	442,113	390,551
TOTAL EXPENDITURES	\$ 766,250	\$ 776,095	\$ 771,051
NET CHANGE IN FUND BALANCE	\$ 29,906	\$ (7,926)	\$ (26,860)
BEGINNING FUND BALANCE	627,793	635,719	662,579
ENDING FUND BALANCE	\$ 657,699	\$ 627,793	\$ 635,719
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,542	1,474	1,475
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,515	1,451	1,452

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 727,094	\$ 733,820	96.2 %	95.2 %	97.1 %	97.2 %	98.1 %
17,607	9,985	2.4	4.1	2.6	2.4	1.3
3,163	4,430	1.4	0.7	0.3	0.4	0.6
<u>\$ 747,864</u>	<u>\$ 748,235</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 36,367	\$ 41,369	4.6 %	5.9 %	5.4 %	4.9 %	5.5 %
255,000	250,000	36.0	37.5	45.7	34.1	33.4
351,429	289,476	55.6	57.6	52.5	47.0	38.7
<u>\$ 642,796</u>	<u>\$ 580,845</u>	<u>96.2 %</u>	<u>101.0 %</u>	<u>103.6 %</u>	<u>86.0 %</u>	<u>77.6 %</u>
\$ 105,068	\$ 167,390	<u>3.8 %</u>	<u>(1.0) %</u>	<u>(3.6) %</u>	<u>14.0 %</u>	<u>22.4 %</u>
557,511	390,121					
<u>\$ 662,579</u>	<u>\$ 557,511</u>					
1,468	1,459					
<u>1,447</u>	<u>1,438</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2019

District Mailing Address - Harris County Municipal Utility District No. 180
c/o Strawn & Richardson, P.C.
6750 West Loop South, Suite 865
Bellaire, TX 77401

District Telephone Number - (713) 864-5466

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended July 31, 2019	Expense Reimbursements for the year ended July 31, 2019	Title
Donald E. Beasley	11/16 11/20 (Elected)	\$ 7,200	\$ 15,570	President
Michael Washington	11/18 11/22 (Elected)	\$ 7,200	\$ 3,122	Vice President/ Investment Officer
Fitzgerald Plummer	11/16 11/20 (Elected)	\$ 5,700	\$ 1,689	Secretary
Richard B. Mahaffy	11/18 11/22 (Elected)	\$ 7,350	\$ 1,826	Assistant Secretary
John Rulon	11/18 11/22 (Elected)	\$ 1,950	\$ 386	Assistant Secretary

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

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

Limit on Fees of Office that a Director may receive during a fiscal year \$7,200 as set by Board resolution on July 11, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year. During the current fiscal year, a director was inadvertently overpaid fees in the amount of \$150 due to an accounting error. These fees will be reimbursed to the District in the fiscal year ending July 31, 2020.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 180
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2019

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2019</u>	<u>Title</u>
Strawn & Richardson, P.C.	06/17/99	\$ 74,352	General Counsel
McCall Gibson Swedlund Barfoot PLLC	03/28/88	\$ 16,000	Auditor
Municipal Accounts & Consulting, L.P.	05/12/06	\$ 34,743	Bookkeeper
A&S Engineers, Inc.	02/14/07	\$ 234,823	Engineer
Blitch Associates, Inc.	12/14/12	\$ -0-	Financial Advisor
Mark Burton	05/12/06	\$ -0-	Investment Officer
M. Marlon Ivy & Associates	12/03/80	\$ 464,886	Operator
Bob Leared Interests	04/11/79	\$ 23,621	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B--Schedule of Accreted Values for Premium Compound Interest Bonds

<u><i>Period Ending</i></u>	<u><i>Compound Interest Bonds March 1, 2029</i></u>
Aug. 18, 2020	\$4,130.70
Sep. 1, 2020	4,134.04
Mar. 1, 2021	4,180.55
Sep. 1, 2021	4,227.58
Mar. 1, 2022	4,275.14
Sep. 1, 2022	4,323.23
Mar. 1, 2023	4,371.87
Sep. 1, 2023	4,421.05
Mar. 1, 2024	4,470.79
Sep. 1, 2024	4,521.09
Mar. 1, 2025	4,571.95
Sep. 1, 2025	4,623.39
Mar. 1, 2026	4,675.40
Sep. 1, 2026	4,728.00
Mar. 1, 2027	4,781.19
Sep. 1, 2027	4,834.98
Mar. 1, 2028	4,889.37
Sep. 1, 2028	4,944.38
Mar. 1, 2029	5,000.00

APPENDIX C—Specimen Municipal Bond Insurance Policy



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, 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 first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such 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 BAM. 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 BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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 (as defined herein) 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 BAM 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 made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or 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, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, BAM 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 BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM 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, 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. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN