

OFFICIAL STATEMENT DATED JUNE 22, 2020

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF REMINGTON MUNICIPAL UTILITY DISTRICT NO. 1, OF HARRIS COUNTY, TEXAS. IN THE OPINION OF SPECIAL TAX COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE "LEGAL MATTERS" AND "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINIONS OF BOND COUNSEL AND SPECIAL TAX COUNSEL.

The Bonds have been designated "qualified tax-exempt obligations" for financial institutions. SEE "TAX MATTERS - Qualified Tax Exempt Obligations for Financial Institutions."

NEW ISSUE - Book-Entry Only

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

\$7,050,000 REMINGTON MUNICIPAL UTILITY DISTRICT NO. 1, OF HARRIS COUNTY, TEXAS (A Political Subdivision of the State of Texas located within Harris County, Texas) UNLIMITED TAX REFUNDING BONDS, SERIES 2020

Dated: July 1, 2020

Due: September 1, as shown below

Principal of the above bonds (the "Bonds") is payable to the registered owners thereof (the "Registered Owners") by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from July 1, 2020, and is payable on September 1, 2020 (two-month interest payment), and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only. The Bonds maturing on and after September 1, 2026, are subject to redemption, in whole or in part, prior to their scheduled maturities on September 1, 2025, or on any date thereafter, at the option of Remington Municipal Utility District No. 1, of Harris County, Texas (the "District"). Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds or the portions thereof so called for redemption, plus accrued interest to the date of redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by DTC, as defined below, in accordance with its procedures. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer.")



PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS CUSIP Prefix (a) 759592

Principal Amount	Maturity (Due September 1)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Suffix (a)	Principal Amount	Maturity (Due September 1)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Suffix (a)
\$ 80,000	2020	4.00%	0.88%	UU0	\$595,000	2027(c)	2.00%	1.47%	VB1
475,000	2021	4.00	0.90	UV8	615,000	2028(c)	2.00	1.57	VC9
500,000	2022	4.00	0.97	UW6	620,000	2029(c)	2.00	1.65	VD7
510,000	2023	4.00	1.00	UX4	640,000	2030(c)	2.00	1.74	VE5
540,000	2024	4.00	1.06	UY2	655,000	2031(c)	2.00	1.83	VF2
565,000	2025	4.00	1.16	UZ9	670,000	2032(c)	2.00	1.92	VG0
585,000	2026(c)	2.00	1.35	VA3					

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

The proceeds of the sale of the Bonds, plus certain other legally available funds of the District, will be applied to refund certain outstanding bonds of the District, and to pay certain costs incurred in connection with the issuance of the Bonds in order to reduce the District's debt service requirements (see "PLAN OF FINANCING - Sources and Uses of Funds").

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 upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, and McCall, Parkhurst & Horton, L.L.P., Dallas, Texas, Special Tax Counsel. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Underwriters' Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about July 22, 2020.

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APPENDIX C - SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the District or the Underwriters (as defined herein) 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 Underwriters.

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

All of the summaries of the statutes, resolutions, contracts, 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 Schwartz Page & Harding, L.L.P., 1300 Post Oak Blvd., Suite 1400, Houston, Texas 77056 upon payment of the costs for duplication thereof.

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

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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

Assured Guaranty Municipal Corp. ("AGM" or the Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX C - SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY."

SALE AND DISTRIBUTION OF THE BONDS

Underwriters

SAMCO Capital Markets, Inc. and RBC Capital Markets, LLC (“RBC”) (together, the “Underwriters”) have agreed to purchase the Bonds from the District for \$7,303,611.90 (an amount equal to the principal amount of the Bonds, less an Underwriters’ discount of \$57,843.50, plus an original issue premium on the Bonds of \$311,455.40) plus accrued interest from July 1, 2020, to the date of delivery. The obligation of the Underwriters to purchase the Bonds is subject to certain conditions contained in the Bond Purchase Agreement between the District and the Underwriters. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriters.

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

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriters on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have 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 Underwriters regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Underwriters at the yields specified on the cover page. Information concerning reoffering yields or prices is the responsibility of the Underwriters.

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

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

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon 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.

BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

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

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

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

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

Capitalization of AGM

At March 31, 2020:

- The policyholders' surplus of AGM was approximately \$2,573 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$997 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,997 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020).

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

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

Miscellaneous Matters

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

BOND INSURANCE RISK FACTORS

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

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

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

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

Neither the District nor the Underwriters have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

RATINGS

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

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

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

The District is not aware of any ratings assigned the Bonds other than the ratings of S&P. See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS."

OFFICIAL STATEMENT SUMMARY

The following summary of certain information contained herein is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

The Issuer	Remington Municipal Utility District No. 1, of Harris County, Texas (the "District"), is a political subdivision of the State of Texas located within Harris County, Texas. See "THE DISTRICT - General."
Description	\$7,050,000 Unlimited Tax Refunding Bonds, Series 2020, are dated July 1, 2020. Interest on the Bonds accrues from July 1, 2020, at the rates shown on the cover page hereof, and is payable on September 1, 2020 (two-month interest payment), and on each March 1 and September 1 thereafter until maturity or prior redemption. The Bonds are issued as serial bonds maturing on September 1 in each of the years 2020 through 2032, inclusive, in the respective principal amounts set forth on the cover page of this Official Statement under the heading "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS." The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. The Bonds maturing on and after September 1, 2026, are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2025, or on any date thereafter at the option of the District. See "THE BONDS."
Book-Entry Only	The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM."
Source and Security for Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "THE BONDS - Source and Security for Payment," "TAX DATA - Tax Rate Calculations," and "INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates."
Use of Bond Proceeds	Proceeds of the sale of the Bonds, plus certain other legally available funds of the District, will be applied to refund \$6,965,000 of the principal amount of the District's Unlimited Tax Refunding Bonds, Series 2013 (the "Series 2013

Refunding Bonds”), and to pay the costs of issuance of the Bonds. The bonds that are being refunded are collectively referred to herein as the “Refunded Bonds.” The Bonds are being issued to reduce the District’s debt service payments and result in net present value savings in the District’s debt service. See “PLAN OF FINANCING – Sources and Uses of Funds.”

Payment Record

In addition to the Series 2013 Refunding Bonds, the District has previously issued Unlimited Tax Bonds, Series 2000 (the “Series 2000 Bonds”), Unlimited Tax Bonds, Series 2000A (the “Series 2000A Bonds”), Unlimited Tax Bonds, Series 2001 (the “Series 2001 Bonds”), Unlimited Tax Bonds, Series 2002 (the “Series 2002 Bonds”), Unlimited Tax Bonds, Series 2003 (the “Series 2003 Bonds”), Unlimited Tax Bonds, Series 2004 (the “Series 2004 Bonds”), Unlimited Tax Bonds, Series 2004A (the “Series 2004A Bonds”), Unlimited Tax Bonds, Series 2005 (the “Series 2005 Bonds”), and Unlimited Tax Bonds, Series 2006 (the “Series 2006 Bonds”). The District also has issued Unlimited Tax Refunding Bonds, Series 2006 (the “Series 2006 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2007 (the “Series 2007 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2010 (the “Series 2010 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2011 (the “Series 2011 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2012 (the “Series 2012 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2014 (the “Series 2014 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2015 (the “Series 2015 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2017 (the “Series 2017 Refunding Bonds”) and Unlimited Tax Refunding Bonds, Series 2019 (the “Series 2019 Refunding Bonds”) to refund and defease certain outstanding bonds of the District. Collective reference is made in this Official Statement to all of such bonds previously issued by the District as the “Prior Bonds.” Prior to the issuance of the Bonds, the principal amount of the Prior Bonds that has not been previously retired by the District is \$45,255,000 (the “Outstanding Bonds”). After the refunding of the Refunded Bonds, the principal amount of the Outstanding Bonds remaining (the “Remaining Outstanding Bonds”) will be \$38,290,000, and the total of the District’s direct bonded indebtedness, including the Bonds, will be \$45,340,000. The District has timely paid all principal of and interest on the Prior Bonds when due.

Authorized But Unissued Bonds

\$18,150,000 for waterworks, wastewater, and drainage facilities (the “System”), and \$43,355,954.40 for refunding purposes will remain authorized but unissued after issuance of the Bonds. See “THE BONDS - Authority for Issuance” and - “Issuance of Additional Debt.” The District has, with the issuance of the Prior Bonds, financed all of the water, sanitary sewer and drainage facilities that it expects to finance through

issuance of bonds to complete the System. Therefore, the District does not currently expect to issue additional bonds for water, sanitary sewer and drainage facilities, unless future repairs to the System or annexation of land into the District necessitate such issuance. See “INVESTMENT CONSIDERATIONS - Future Debt.”

Municipal Bond Insurance Assured Guaranty Municipal Corp. (“AGM”). See “BOND INSURANCE.”

Municipal Bond Ratings S&P Global Ratings (AGM Insured) “AA” (stable outlook). S&P Global Ratings (Underlying) “A” (stable outlook). See “BOND INSURANCE” and “RATINGS.”

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. See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions.”

Legal and Tax Opinions Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, and McCall, Parkhurst and Horton L.L.P., Dallas, Texas, Special Tax Counsel. See “THE DISTRICT - Management of the District,” “LEGAL MATTERS” and “TAX MATTERS.”

Verification Agent Robert Thomas, CPA, LLC. See “VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATION.”

THE DISTRICT

Description The District is a political subdivision of the State of Texas, created by Order of the Texas Water Commission, predecessor of the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”), on October 8, 1986. The District contains approximately 1,842.716 acres of land. The District is located entirely within Harris County, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the “City”) (except as described in this Official Statement under the caption “THE DISTRICT - Strategic Partnership Agreement”). The District is located within the Cypress-Fairbanks Independent School District. The District is located approximately twenty-two miles northwest of the central business district of the City. The entrance of the District at the intersection of Queenston Boulevard and Barker-Cypress Road is located one-quarter mile south of the intersection of U.S. Highway 290 and Barker-Cypress Road. The District is generally bounded to the north by U.S. Highway 290 and on the west by Barker-Cypress Road. Queenston Boulevard traverses the District north to south. Cypress-North Houston Boulevard traverses the northern portion of the District east to west. See “THE DISTRICT - General” and - “Description,” and “APPENDIX A - LOCATION MAP.”

Authority

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

Development of the District

As of March 1, 2020, the District contained approximately 4,341 homes and approximately 21 vacant fully developed single-family residential lots that are available for home construction. Retail shopping centers and other improvements aggregating approximately 391,617 square feet of building area and a 177-unit apartment complex have been completed within the District, and other improvements are currently under construction within the District as is described below. There is no significant current single-family home building activity in the District. The development of the entirety of the developable land located within the District is complete.

According to the District's Engineer, the development of a total of 4,362 single-family residential lots (Stone Gate, Sections 1 through 18, Canyon Lakes Village, Sections 1 through 3, and Canyon Lakes at Stone Gate, Sections 1 through 14) located within the District (an aggregate of approximately 1,259.67 acres) is complete, and all of such lots have been provided water distribution, wastewater collection and storm drainage facilities and street paving. All of such single-family residential lots have been conveyed by the original developers of the District to home building companies. In addition, trunk underground water distribution, wastewater collection and storm drainage facilities and street paving have been constructed in the right-of-way of Queenston Boulevard, a major thoroughfare which traverses the District, Red Rugosa and Tuckerton Road. Retail shopping centers, restaurants, office buildings, and other improvements aggregating approximately 391,617 square feet of building area have been completed on approximately 49.2 acres of land located within the District that have been developed for commercial use through the provision of trunk underground water distribution and wastewater collection facilities and perimeter storm drainage facilities and street paving and an approximately 7,500 square foot business park is currently under construction (completion expected in approximately the first quarter of 2021) on approximately 4.2 acres within the District. The 177-unit West Lake Park Apartments have been constructed on approximately 7.3 acres located within the District. The District has, with the issuance of the Prior Bonds, financed all of the water, sanitary sewer and drainage facilities that it expects to finance through the issuance of bonds to complete the System. Therefore, the District does not currently expect to issue additional bonds for water, sanitary sewer and drainage facilities, unless future repairs to the System or annexation of land into the District necessitate such issuance. See "INVESTMENT CONSIDERATIONS - Future Debt." See "THE SYSTEM."

for a description of the District's water supply and distribution, wastewater collection and treatment and storm drainage facilities (the "System").

36 holes of golf have been developed on approximately 356.1 acres of land located within the District. The Houston National Golf Club, which is a public golf course, consists of 18 holes plus an approximately 19,000 square foot clubhouse, pro shop and restaurant; an approximately 10,000 square foot cart storage facility, a bar and grill and driving range. The Sterling Country Club, which consists of the other 18 holes, is a private golf course that is adjacent to The Houston National Golf Club. The members of the Sterling Country Club have access to The Houston National Golf Club course and facilities. The District can make no prediction as to the ongoing viability of the Houston National Golf Club or the Sterling Country Club.

A clubhouse and recreation center, which include two tennis courts, a competition pool and wading pool, a weight room, and basketball and volleyball courts, have also been completed within the District. Such facilities are available for use by all residents of the District.

Approximately 163.85 additional acres of land located within the District are contained within various easements or rights-of-way, or are otherwise not available for future development. See "TAX DATA - Principal 2019 Taxpayers," and "INVESTMENT CONSIDERATIONS - Economic Factors Affecting Taxable Values and Tax Payments."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION

(Unaudited)

2019 Assessed Valuation		\$1,151,223,965(a)
(As of January 1, 2019)		
See "TAX DATA" and "TAX PROCEDURES."		
2020 Preliminary Valuation		\$1,210,701,936(b)
(As of January 1, 2020)		
See "TAX DATA" and "TAX PROCEDURES."		
Direct Debt: Remaining Outstanding Bonds	\$ 38,290,000	
The Bonds	<u>7,050,000</u>	
Total	\$ 45,340,000(c)	
Estimated Overlapping Debt	<u>\$ 68,591,092</u>	
Direct and Estimated Overlapping Debt	<u>\$113,931,092(c)</u>	
Direct Debt Ratio		
: as a percentage of 2019 Assessed Valuation		3.94%
: as a percentage of 2020 Preliminary Valuation		3.74%
Direct and Estimated Overlapping Debt Ratio		
: as a percentage of 2019 Assessed Valuation		9.90%
: as a percentage of 2020 Preliminary Valuation		9.41%
General Fund Balance at May 27, 2020	\$ 8,233,544	
Bond Fund Balance Estimated As of Delivery of the Bonds	\$ 7,764,387(d)	
Average Percentage of Total Tax Collections 2009-2018		
As of May 31, 2020		99.91%
Percentage of Tax Collections 2019 Tax Levy		
As of May 31, 2020. In process of collection.		97.80%
2019 Tax Rate Per \$100 of Assessed Valuation		
Debt Service Tax	\$0.370	
Maintenance Tax	<u>0.145</u>	
Total	\$0.515(e)	
Average Annual Debt Service Requirements of the Bonds		
and the Remaining Outstanding Bonds (2020-2032)	\$ 4,288,562	
Maximum Annual Debt Service Requirement		
of the Bonds and the Remaining Outstanding Bonds (2032)	\$ 4,396,800	
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt		
Service Requirements of the Bonds and the Remaining Outstanding Bonds		
(2020-2032) at 95% Tax Collections		
Based Upon 2019 Assessed Valuation		\$0.40(e)
Based Upon 2020 Preliminary Valuation		\$0.38(e)

Tax Rate per \$100 of Assessed Valuation Required to Pay	
Maximum Annual Debt Service Requirement of the Bonds and the	
Remaining Outstanding Bonds (2032) at 95% Tax Collections	
Based Upon 2019 Assessed Valuation	\$0.41(e)
Based Upon 2020 Preliminary Valuation	\$0.39(e)
Number of Single Family Residences	4,341
Completed retail shopping centers and other improvements	
Approximately 391,617 total square feet of building area	
A 177-unit apartment complex	
Improvements currently under construction	
An approximately 7,500 square foot business park (completion expected in approximately	
the first quarter of 2021)	
See "DEVELOPMENT OF THE DISTRICT."	

- (a) As of January 1, 2019, and comprises the District's 2019 tax roll. All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board").
- (b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2020, as reflected on the District's preliminary 2020 tax roll supplied to the District by the Appraisal District, and includes the preliminary 2020 values resulting from the construction of taxable improvements from January 1, 2019, through December 31, 2019. When the Appraisal District supplies a taxing entity with a preliminary tax roll, such preliminary tax roll does not include personal property values. Therefore, this amount includes the 2019 taxable value of personal property located within the District. The taxable value of personal property on the District's 2019 tax roll was \$18,859,478. The District's ultimate 2020 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2020. See "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT." The District has, with the issuance of the Prior Bonds, financed all of the water, sanitary sewer and drainage facilities that it expects to finance through issuance of bonds to complete the System. Therefore, the District does not currently expect to issue additional bonds for water, sanitary sewer and drainage facilities, unless future repairs to the System or annexation of land into the District necessitate such issuance. See "INVESTMENT CONSIDERATIONS - Future Debt."
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Bond Fund. Such fund balance gives effect to the payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2020, and the contribution by the District of \$11,000 to the refunding of the Refunded Bonds. The District's remaining debt service requirements for 2020, which are due on September 1, 2020, consist of principal of and interest on the Remaining Outstanding Bonds and the Bonds totaling \$3,524,754.
- (e) The District levied a debt service tax for 2019 in the amount of \$0.37 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.145 per \$100 of Assessed Valuation. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the total of the 2019 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2019 tax rate, is \$2.6693 per \$100 of Assessed Valuation, which is within the range of the total levies of municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "TAX DATA - Tax Rate Calculations," "TAX PROCEDURES" and "INVESTMENT CONSIDERATIONS - Economic Factors Affecting Taxable Values and Tax Payments."

**REMINGTON MUNICIPAL UTILITY DISTRICT NO. 1,
OF HARRIS COUNTY, TEXAS
UNLIMITED TAX REFUNDING BONDS
SERIES 2020**

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Remington Municipal Utility District No. 1, of Harris County, Texas (the “District”) of its Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”).

There follow in this Official Statement descriptions of the Bonds, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request and payment of the costs of duplication therefor.

THE BONDS

General

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 order adopted by the Board of Directors authorizing the issuance of the Bonds and a Pricing Certificate executed pursuant thereto (collectively, the “Bond Order”), a copy of which is available from Schwartz, Page & Harding, L.L.P. (“Bond Counsel”) upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated and accrue interest, at the rates shown on the cover hereof, from July 1, 2020, with interest payable on September 1, 2020 (two-month interest payment), and on each March 1 and September 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. Interest on the Bonds initially accrues from July 1, 2020, and thereafter, from the most recent Interest Payment Date. The Bonds mature on September 1 in each of the years and in the amounts shown under “PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the cover page hereof. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry system described herein (“Registered Owners”). No physical delivery of the Bonds will be made to the purchasers thereof. See “BOOK-ENTRY-ONLY SYSTEM.” Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30)-day months.

Authority for Issuance

At an election held within the District on January 16, 1999, voters of the District authorized a total of \$49,000,000 in bonds for the purpose of refunding bonds of the District. The Bonds constitute the eleventh issuance of bonds from such authorization. The Bonds are issued by the District pursuant to said election and the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapter 1207 of the Texas Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended, and City of Houston Ordinance No. 97-416.

Source and Security for Payment

The Bonds, together with the Remaining Outstanding Bonds (hereinafter defined) and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District (see “TAX PROCEDURES”). Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully

this Official Statement with respect to the investment security of the Bonds. See “INVESTMENT CONSIDERATIONS.” The Bonds are obligations solely of the District and are not obligations of the City of Houston, Harris County, the State of Texas, or any political subdivision or entity other than the District.

Funds

The Bond Order confirms the establishment of the District's Bond Fund (the “Bond Fund”) which was created and established pursuant to the order(s) of the Board of Directors of the District authorizing the issuance of the Prior Bonds (hereinafter defined). Accrued interest on the Bonds will be deposited from the proceeds from the sale of the Bonds into the Bond Fund. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, the Remaining Outstanding Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, the Remaining Outstanding Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar (hereinafter defined), to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Remaining Outstanding Bonds, and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Record Date

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2026, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2025, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See “BOOK-ENTRY-ONLY SYSTEM.” Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar (hereinafter defined) at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

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

Method of Payment of Principal and Interest

The Board has appointed The Bank of New York Mellon Trust Company, N.A., (the “Paying Agent,” “Registrar” or “Paying Agent/Registrar”) currently having its principal corporate trust office and its principal payment office in Dallas, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See “BOOK-ENTRY-ONLY SYSTEM.”

Registration

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner's income for federal income tax purposes. The Bonds will be issued as fully-

registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.” So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrant in the State of Texas for the purpose of maintaining the Register on behalf of the District.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrant shall be required to accept the previous Paying Agent / Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrant selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least \$25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of \$88,000,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. The District currently has \$18,150,000 of unlimited tax bonds authorized but unissued for said improvements and facilities. The District's voters have also authorized a total of \$49,000,000 unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. Following the issuance of the Bonds, the District will have \$43,355,954.40 unlimited tax refunding bonds authorized but unissued.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. The District has, with the issuance of the Prior Bonds, financed all of the water, sanitary sewer and drainage facilities that it expects to finance through issuance of bonds to complete the System. Therefore, the District does not currently expect to issue additional bonds for water, sanitary sewer and drainage facilities, unless future repairs to the System or annexation of land into the District necessitate such issuance. See “INVESTMENT CONSIDERATIONS - Future Debt.”

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

Financing Road Facilities

Pursuant to Chapter 54 of the Water Code, a municipal utility district, such as the District, may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the TCEQ, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the TCEQ for "road powers" or calling such an election at this time. Issuance of bonds for roads could dilute the investment security for the Bonds.

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or an amount greater than the estimated cost of the plan, whichever amount is smaller; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per \$100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District. The District has not considered calling an election for such purposes but could consider doing so in the future.

Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed for full purposes by the City of Houston, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City of Houston hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Houston must assume the District's assets and obligations (including the Bonds and the Remaining Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and, therefore, the District makes no representation that the City of Houston will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur. Under the terms of the SPA (as hereinafter defined) between the District and the City of Houston, however, the City has agreed not to annex the District for full purposes (a traditional municipal annexation) for at least thirty (30) years from the effective date of the SPA. See "THE DISTRICT-Strategic Partnership Agreement." The District could consent to a full purpose annexation prior to that time by agreeing to amend the SPA to such effect, however, the District currently has no intention to do so.

Consolidation

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

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Certain traditional legal remedies may also not be available. See "INVESTMENT CONSIDERATIONS - Registered Owners' Remedies and Bankruptcy."

Defeasance

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

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption

is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither the District nor the Financial Advisor take any responsibility for the accuracy or completeness thereof.

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

The Depository Trust Company (DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for 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 the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written

confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

PLAN OF FINANCING

Use of Bond Proceeds

Proceeds of the sale of the Bonds, plus certain other legally available funds of the District, will be applied to refund \$6,965,000 of the principal amount of the District’s Unlimited Tax Refunding Bonds, Series 2013 (the “Series 2013 Refunding Bonds”), and to pay the costs of issuance of the Bonds. The bonds that are being refunded are collectively referred to herein as the “Refunded Bonds.” The Bonds are being issued to reduce the District's debt service payments and result in net present value savings.

Refunded Bonds

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

Principal Amount

<u>Maturity</u>	<u>Series 2013 Refunding Bonds</u>
2021	\$ 460,000
2022	480,000
2023	490,000
2024	515,000
2025	540,000
2026	560,000
2027	585,000
2028	615,000
2029	635,000
2030	665,000
2031	695,000
2032	<u>725,000</u>
	\$6,965,000

Redemption Date: 9/1/20

Aggregate Principal Amount of Refunded Bonds \$6,965,000

Escrow Agreement

The Refunded Bonds, and the interest due thereon, are to be paid on their scheduled interest payment dates until final payment or their redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent").

The Bond Order provides that the District and the Escrow Agent will enter into an escrow agreement (the "Escrow Agreement") to be dated as of June 22, 2020, but effective on the date of delivery of the Bonds (expected to be July 22, 2020). The Bond Order further provides that from the proceeds of the sale of the Bonds, along with certain other legally available funds of the District, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. See "VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS." Such funds will be held by the Escrow Agent in a segregated escrow account (the "Escrow Fund") and a portion of such funds will be used to purchase direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States (the "Escrowed Securities"), maturing at such times and amounts as will, together with cash on deposit in the Escrow Fund, be sufficient to pay scheduled payments on the Refunded Bonds to and including their redemption date. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds or the Remaining Outstanding Bonds.

Defeasance of the Refunded Bonds

By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of 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 pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in the Escrow Fund. See "VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS."

The Non-Refunded Bonds (Remaining Outstanding Bonds)

In addition to the Series 2013 Refunding Bonds, the District has previously issued Unlimited Tax Bonds, Series 2000 (the "Series 2000 Bonds"), Unlimited Tax Bonds, Series 2000A (the "Series 2000A Bonds"), Unlimited Tax Bonds, Series 2001 (the "Series 2001 Bonds"), Unlimited Tax Bonds, Series 2002 (the "Series 2002 Bonds"), Unlimited Tax Bonds, Series 2003 (the "Series 2003 Bonds"), Unlimited Tax Bonds, Series 2004 (the "Series 2004 Bonds"), Unlimited Tax Bonds, Series 2004A (the "Series 2004A Bonds"), Unlimited Tax Bonds, Series 2005 (the "Series 2005 Bonds"), and Unlimited Tax Bonds, Series 2006 (the "Series 2006 Bonds"). The District also has issued Unlimited Tax Refunding Bonds, Series 2006 (the "Series 2006 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2007 (the "Series 2007 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2010 (the "Series 2010 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2011 (the "Series 2011 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2012 (the "Series 2012 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2014 (the "Series 2014 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2015 (the "Series 2015 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2017 (the "Series 2017 Refunding Bonds") and Unlimited Tax Refunding Bonds, Series 2019 (the "Series 2019 Refunding Bonds") to refund and defease certain outstanding bonds of the District. Collective reference is made in this Official Statement to all of such bonds previously issued by the District as the "Prior Bonds." Prior to the issuance of the Bonds, the principal amount of the Prior Bonds that has not been previously retired by the District is \$45,255,000 (the "Outstanding Bonds"). After the refunding of the Refunded Bonds, the principal amount of the Outstanding Bonds remaining (the "Remaining Outstanding Bonds") will be \$38,290,000, and the total of the District's direct bonded indebtedness, including the Bonds, will be \$45,340,000.

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

**NON-REFUNDED BONDS
PRINCIPAL AMOUNT**

Year of Maturity	Series				
	2013 Refunding	2014 Refunding	2015 Refunding	2017 Refunding	2019 Refunding
2020	\$345,000	\$840,000	\$440,000	\$625,000	\$530,000
2021		525,000	460,000	640,000	780,000
2022		555,000	460,000	670,000	800,000
2023		585,000	480,000	690,000	825,000
2024		600,000	495,000	705,000	845,000
2025		1,115,000	30,000	315,000	1,280,000
2026		1,040,000	165,000	315,000	1,315,000
2027		1,095,000	165,000	320,000	1,350,000
2028			1,795,000		1,370,000
2029			1,865,000		1,405,000
2030			1,920,000		1,440,000
2031			90,000		3,400,000
2032			100,000		3,505,000
	\$345,000	\$6,355,000	\$8,465,000	\$4,280,000	\$18,845,000
Total Principal Amount of Non-Refunded Bonds (Remaining Outstanding Bonds)					\$38,290,000

Sources and Uses of Funds

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

SOURCES OF FUNDS:

Principal Amount of the Bonds	\$7,050,000.00
Plus: Original Issue Premium	311,455.40
Accrued Interest	11,340.00
District Contribution	<u>11,000.00</u>
Total Sources of Funds	\$7,383,795.40

USES OF FUNDS:

Deposit with Escrow Agent	7,099,061.84
Deposit Accrued Interest to Bond Fund	11,340.00
Underwriters' Discount	57,843.50
Municipal Bond Insurance Premium and Other Issuance Expenses	<u>215,550.06</u>
Total Uses of Funds	\$7,383,795.40

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken June 2020)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken June 2020)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken June 2020)



DISTRICT DEBT

General

The following tables and calculations relate to the Bonds and the Remaining Outstanding Bonds. After issuance of the Bonds, the aggregate principal amount of the Remaining Outstanding Bonds will be \$38,290,000, and the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be \$45,340,000. The District is empowered to incur debt to be paid from revenues raised by taxation against all taxable property located within the District, and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of the property within the District.

2019 Assessed Valuation	\$1,151,223,965(a)
(As of January 1, 2019)	
See "TAX DATA" and "TAX PROCEDURES."	
2020 Preliminary Valuation	\$1,210,701,936(b)
(As of January 1, 2020)	
See "TAX DATA" and "TAX PROCEDURES."	
Direct Debt: Remaining Outstanding Bonds	\$ 38,290,000
The Bonds	<u>7,050,000</u>
Total	\$ 45,340,000(c)
Estimated Overlapping Debt	<u>\$ 68,591,092</u>
Direct and Estimated Overlapping Debt	<u>\$113,931,092(c)</u>
Direct Debt Ratio	
: as a percentage of 2019 Assessed Valuation	3.94%
: as a percentage of 2020 Preliminary Valuation	3.74%
Direct and Estimated Overlapping Debt Ratio	
: as a percentage of 2019 Assessed Valuation	9.90%
: as a percentage of 2020 Preliminary Valuation	9.41%
General Fund Balance at May 27, 2020	\$ 8,233,544
Bond Fund Balance Estimated As of Delivery of the Bonds	\$ 7,764,387(d)
Average Percentage of Total Tax Collections 2009-2018	
As of May 31, 2020	99.91%
Percentage of Tax Collections 2019 Tax Levy	
As of May 31, 2020. In process of collection.	97.80%
2019 Tax Rate Per \$100 of Assessed Valuation	
Debt Service Tax	\$0.370
Maintenance Tax	<u>0.145</u>
Total	\$0.515(e)

(a) As of January 1, 2019, and comprises the District's 2019 tax roll. All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board").

- (b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2020, as reflected on the District's preliminary 2020 tax roll supplied to the District by the Appraisal District, and includes the preliminary 2020 values resulting from the construction of taxable improvements from January 1, 2019, through December 31, 2019. When the Appraisal District supplies a taxing entity with a preliminary tax roll, such preliminary tax roll does not include personal property values. Therefore, this amount includes the 2019 taxable value of personal property located within the District. The taxable value of personal property on the District's 2019 tax roll was \$18,859,478. The District's ultimate 2020 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2020. See "TAXING PROCEDURES."
- (c) The District has, with the issuance of the Prior Bonds, financed all of the water, sanitary sewer and drainage facilities that it expects to finance through issuance of bonds to complete the System. Therefore, the District does not currently expect to issue additional bonds for water, sanitary sewer and drainage facilities, unless future repairs to the System or annexation of land into the District necessitate such issuance. See "INVESTMENT CONSIDERATIONS - Future Debt."
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Bond Fund. Such fund balance gives effect to the payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2020, and the contribution by the District of \$11,000 to the refunding of the Refunded Bonds. The District's remaining debt service requirements for 2020, which are due on September 1, 2020, consist of principal of and interest on the Remaining Outstanding Bonds and the Bonds totaling \$3,524,754.
- (e) The District levied a debt service tax for 2019 in the amount of \$0.37 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.145 per \$100 of Assessed Valuation. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the total of the 2019 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2019 tax rate, is \$2.6693 per \$100 of Assessed Valuation, which is within the range of the total levies of municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "TAX DATA - Tax Rate Calculations," "TAX PROCEDURES" and "INVESTMENT CONSIDERATIONS - Economic Factors Affecting Taxable Values and Tax Payments."

Estimated Direct and Overlapping Debt Statement

The following table indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the Assessed Valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information and no person is entitled to rely upon such information as being accurate or complete. Further, certain of the entities listed below may have issued additional bonds since the date cited.

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt as of May 15, 2020</u>	<u>Overlapping</u>	
		<u>Percent</u>	<u>Amount</u>
Harris County (i)	\$1,885,182,125	0.23784	\$ 4,483,750
Harris County Department of Education	6,320,000	0.23784	15,032
Harris County Flood Control District	83,075,000	0.23784	197,587
Harris County Hospital District	86,050,000	0.23784	204,663
Port of Houston Authority	572,569,397	0.23784	1,361,809
Cypress-Fairbanks Independent School District	2,844,780,000	2.08185	59,224,044
Lone Star College System	570,885,000	0.54375	<u>3,104,207</u>
TOTAL ESTIMATED OVERLAPPING DEBT			\$68,591,092
TOTAL DIRECT DEBT (the Bonds and the Remaining Outstanding Bonds) (ii)			<u>45,340,000</u>
TOTAL DIRECT AND ESTIMATED OVERLAPPING DEBT			\$113,931,092

- (i) Harris County Toll Road Bonds are considered to be self-supporting, and are not included in this schedule.
- (ii) The District has, with the issuance of the Prior Bonds, financed all of the water, sanitary sewer and drainage facilities that it expects to finance through issuance of bonds to complete the System. Therefore, the District does not currently expect to issue additional bonds for water, sanitary sewer and drainage facilities, unless future repairs to the System or annexation of land into the District necessitate such issuance. See "INVESTMENT CONSIDERATIONS - Future Debt."

Debt Ratios

	<u>% of 2019 Assessed Valuation</u>	<u>% of 2020 Preliminary Valuation</u>
Direct Debt	3.94%	3.74%
Direct and Estimated Overlapping Debt	9.90%	9.41%

Under Texas law ad valorem taxes levied by each taxing authority other than the District create a lien which is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administration and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy and

collect ad valorem taxes for operation and maintenance purposes, and such taxes have been authorized by the duly qualified voters of the District at a rate not to exceed \$1.00 per \$100 of Assessed Valuation. The District levied a maintenance tax of \$0.145 for 2019. See “TAX DATA - Maintenance Tax” and - “Tax Rate Distribution.”

Debt Service Requirements

The following schedule sets forth the debt service requirements on the Outstanding Bonds, less the debt service requirements on the Refunded Bonds, plus the principal of and interest requirements on the Bonds.

Year Ending <u>12-31</u>	Current Total <u>Debt Service</u>	Less: Debt Service on Refunded <u>Bonds</u>	Plus:-----The Bonds-----		Total New <u>Debt Service</u>
			<u>Principal</u>	<u>Interest</u>	
2020	\$ 4,375,613	\$ 135,019	\$ 80,000\	\$ 32,400	\$ 4,352,994
2021	4,282,988	730,038	475,000	191,200	4,219,150
2022	4,289,488	733,938	500,000	172,200	4,227,750
2023	4,295,288	727,138	510,000	152,200	4,230,350
2024	4,281,263	733,763	540,000	131,800	4,219,300
2025	4,287,075	739,450	565,000	110,200	4,222,825
2026	4,285,250	739,200	585,000	87,600	4,218,650
2027	4,283,838	741,800	595,000	75,900	4,212,938
2028	4,422,975	748,400	615,000	64,000	4,353,575
2029	4,428,425	743,800	620,000	51,700	4,356,325
2030	4,424,925	748,400	640,000	39,300	4,355,825
2031	4,455,125	751,800	655,000	26,500	4,384,825
2032	<u>4,467,400</u>	<u>754,000</u>	<u>670,000</u>	<u>13,400</u>	<u>4,396,800</u>
	\$56,579,653	\$9,026,746	\$7,050,000	\$1,148,400	\$55,751,307

Average Annual Requirements - (2020-2032)	\$4,288,562
Maximum Annual Requirement - (2032)	\$4,396,800

See “TAX DATA - Tax Rate Calculations” and “INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates” for a discussion of the District's projected tax rates and the effect of the Bonds thereon.

TAX DATA

Debt Service Tax

All taxable property located within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Remaining Outstanding Bonds, the Bonds and any future tax-supported bonds which may be issued from time to time as authorized. 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 of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. The District levied a debt service tax of \$0.37 per \$100 of Assessed Valuation for 2019.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. On January 17, 1987, the District voters authorized the levy of such a maintenance tax in the maximum amount of \$1.00 per each \$100 of Assessed Valuation. Such tax is levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Remaining Outstanding Bonds and any parity bonds which may be issued in the future. The District levied a maintenance tax of \$0.145 per \$100 of Assessed Valuation for 2019.

Historical Values and Tax Collection History

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

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate(a)</u>	<u>Adjusted Levy</u>	<u>Cumulative % Collections</u>	
				<u>Current & Prior Years(b)</u>	<u>Year Ended 9/30</u>
2009	\$ 820,550,174	\$0.590	\$4,838,778	99.98%	2010
2010	780,672,485	0.630	4,914,832	99.96	2011
2011	773,561,709	0.635	4,906,576	99.92	2012
2012	752,820,416	0.650	4,888,715	99.92	2013
2013	781,603,874	0.635	4,958,432	99.91	2014
2014	864,445,709	0.570	4,922,514	99.90	2015
2015	962,141,392	0.520	4,997,936	99.90	2016
2016	1,041,323,294	0.480	4,993,637	99.91	2017
2017	1,060,133,790	0.480	5,081,506	99.86	2018
2018	1,078,816,673	0.515	5,544,675	99.80	2019
2019	1,151,223,965	0.515	5,749,227	97.80(c)	2020

- (a) Per \$100 of Assessed Valuation.
- (b) Such percentage reflects cumulative total collections for said year from the time the annual tax was levied through May 31, 2020. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective levy) is not reflected in this statement.
- (c) As of May 31, 2020. In process of collection.

Tax Rate Distribution

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Debt Service	\$0.370	\$0.390	\$0.40	\$0.41	\$0.45
Maintenance	<u>0.145</u>	<u>0.125</u>	<u>0.08</u>	<u>0.07</u>	<u>0.07</u>
Total	<u>\$0.515</u>	<u>\$0.515</u>	<u>\$0.48</u>	<u>\$0.48</u>	<u>\$0.52</u>

Analysis of Tax Base

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

<u>Type of Property</u>	2019		2018		2017	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	\$ 178,675,402	15.52%	\$ 178,728,000	16.57%	\$ 172,498,838	16.27%
Improvements	978,515,498	85.00	907,244,080	84.10	894,302,713	84.36
Personal Property	18,957,330	1.65	16,761,730	1.55	17,561,958	1.66
Exemptions	<u>(24,921,277)</u>	<u>(2.16)</u>	<u>(23,917,137)</u>	<u>(2.22)</u>	<u>(24,229,719)</u>	<u>(2.29)</u>
Total	\$1,151,226,953	100.00%	\$1,078,816,673	100.00%	\$1,060,133,790	100.00%

<u>Type of Property</u>	2016		2015	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	\$ 169,684,940	16.30%	\$168,286,894	17.49%
Improvements	877,618,413	84.28	799,008,183	83.04
Personal Property	17,657,812	1.70	20,550,110	2.14
Exemptions	<u>(23,637,871)</u>	<u>(2.27)</u>	<u>(25,703,795)</u>	<u>(2.67)</u>
Total	\$1,041,323,294	100.00%	\$962,141,392	100.00%

Principal 2019 Taxpayers

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

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2019 Tax Roll</u>	<u>% 2019 Tax Roll</u>
West Road 330, L.P.	Land and Improvements	\$21,526,414	1.87%
Sterling Golf, Inc.	Land and Improvements	8,199,224	0.71
Cy-Fair Storage, L.P.	Land, Improvements and Personal Property	7,927,372	0.69
Stonegate Shopping Center, LLC	Land and Improvements	6,414,686	0.56
Centerpoint Energy	Land and Personal Property	5,678,484	0.49
Talley Culebra 2017 LLC	Land and Improvements	5,120,000	0.44
KAZA IV Ltd.	Land and Improvements	5,094,724	0.44
DAD Entrepreneurs LLC	Land and Improvements	3,298,188	0.29
Store Master Funding V, LLC	Land and Improvements	3,126,738	0.27
Golden Center LLC	Land and Improvements	<u>2,855,468</u>	<u>0.25</u>
		\$69,241,298	6.01%

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2019 Assessed Valuation or the 2020 Preliminary Valuation. The calculations also assume collection of 95% of taxes levied, no use of District funds on hand, and the sale of no additional bonds by the District other than the Bonds and the Prior Bonds.

Average Annual Debt Service Requirements (2020-2032)	\$4,288,562
Tax Rate of \$0.40 on the 2019 Assessed Valuation (\$1,151,223,965) produces	\$4,374,651
Tax Rate of \$0.38 on the 2020 Preliminary Valuation (\$1,210,701,936) produces	\$4,370,634
Maximum Annual Debt Service Requirement (2032)	\$4,396,800
Tax Rate of \$0.41 on the 2019 Assessed Valuation (\$1,151,223,965) produces	\$4,484,017
Tax Rate of \$0.39 on the 2020 Preliminary Valuation (\$1,210,701,936) produces	\$4,485,651

The District levied a debt service tax for 2019 of \$0.37 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.145 per \$100 of Assessed Valuation. As the above table indicates, the 2019 debt service rate is not sufficient to pay debt service on the Remaining Outstanding Bonds and the Bonds, assuming taxable values in the District at the level of the 2019 Assessed Valuation or 2020 Preliminary Valuation, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds. However, as is illustrated above under the caption “Historical Values and Tax Collection History,” the District has collected an average of 99.91% of its 2009 through 2018 tax levies as of May 31, 2020, and its 2019 tax levy was 97.80% collected as of such date. Moreover, the District's Bond Fund balance is estimated to be approximately \$7,764,387 as of delivery of the Bonds. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Bond Fund at any time, the District has in the past applied earnings from the investment of monies held in the Bond Fund to meet the debt service requirements of the Prior Bonds (see “APPENDIX B - INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS”). Therefore, the District anticipates that it will be able to meet the debt service requirements of the Bonds and the Remaining Outstanding Bonds without increasing the tax rate for debt service which the District levied for 2019 - \$0.37 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See “TAX PROCEDURES” and “INVESTMENT CONSIDERATIONS - Economic Factors Affecting Taxable Values and Tax Payments.” The District has, with the issuance of the Prior Bonds, financed all of the water, sanitary sewer and drainage facilities that it expects to finance through issuance of bonds to complete the System. Therefore, the District does not currently expect to issue additional bonds for water, sanitary sewer and drainage facilities, unless future repairs to the System or annexation of land into the District necessitate such issuance. See “INVESTMENT CONSIDERATIONS - Future Debt.”

Estimated Overlapping Taxes

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

<u>Taxing Jurisdiction</u>	<u>2019 Tax Rate</u>
The District	\$0.51500*
Harris County	0.40713
Harris County Department of Education	0.00500
Harris County Flood Control District	0.02792
Harris County Hospital District	0.16591
Port of Houston Authority	0.01074
Cypress-Fairbanks Independent School District	1.37000
Lone Star College System	0.10780
Harris County Emergency Services District No. 9	<u>0.05980</u>
	<u>\$2.66930</u>

* The District has levied a total tax of \$0.515 per \$100 of Assessed Valuation for 2019, consisting of a debt service tax of \$0.37 per \$100 of Assessed Valuation and a maintenance tax of \$0.145 per \$100 of Assessed Valuation.

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Harris County Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units wholly within Harris County, including the District. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Harris County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2020 tax year, the District has granted an exemption of \$5,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age

Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil 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 certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which 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. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it 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. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

General Residential Homestead Exemption

Texas law 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, but not less than \$5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that 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. For the 2020 tax year, the District has not granted a general residential homestead exemption.

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. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the

sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

District and Taxpayer Remedies

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

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See “Rollback of Operation and Maintenance Tax Rate.” The Property 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.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural use, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2020, no acres of land within the District were designated for agricultural use, open space, inventory deferment, or timberland. See “DEVELOPMENT AND HOME CONSTRUCTION” and “DEVELOPERS AND OTHER PRINCIPAL LANDOWNERS.”

Tax Abatement

The City of Houston and Harris County may designate all or part of the District as a reinvestment zone, and the District, Harris County, and (if it were to annex the area) the City of Houston may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by 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 a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items specified in the Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

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 (as to those provisions discussed herein) of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION" 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 municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a 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 herein as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all land, 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.

Low Tax Rate Districts

Low Tax Rate Districts that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, 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 Low Tax Rate District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

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

Developing Districts

Districts that do not meet the classification of a Low Tax Rate District 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 imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

The District

A determination as to a district's status as a Low Tax Rate District, Developed District or Developing District will be made by the Board of Directors on an annual basis. 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 against which the tax is levied. In addition, 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 power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units (see "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement"). A tax lien on real property takes priority over the claim

of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law, and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, 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, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS - Tax Collection Limitations" and - "The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District."

Reappraisal of Property After Disaster

The Property 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 prorated 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.

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 taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

THE DISTRICT

General

The District is a municipal utility district created by an order of the Texas Water Commission, a predecessor to the TCEQ, dated October 8, 1986, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston (except as described below under "Strategic Partnership Agreement"), is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, separately or jointly

with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, subject to the granting of road powers by the TCEQ and certain limitations, develop and finance roads. See "THE BONDS - Issuance of Additional Debt," "Financing Recreational Facilities" and "Financing Road Facilities."

The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road and fire fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Houston and filed in the real property records of Harris County. The District is also required to obtain certain TCEQ approval prior to acquiring, constructing and financing road and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes and/or for the purposes of financing recreational facilities. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Strategic Partnership Agreement

The District and the City of Houston (the "City") have entered into a Strategic Partnership Agreement dated effective July 11, 2006 (the "SPA") pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" for that portion of the District which is developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" for at least thirty (30) years from the effective date of the SPA. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater and drainage facilities must be assumed by the City to the maximum extent permitted by TCEQ rules. The procedures for full purpose annexation under the SPA may differ from those otherwise applicable under Chapter 43, Texas Local Government Code, including any requirements for an election. See "THE BONDS - Annexation."

As of the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion includes primarily retail and commercial development within the District. The City pays to the District an amount equal to one half (½) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the "Sales Tax Revenue"). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds or the Remaining Outstanding Bonds.

Description

The District contains approximately 1,842.716 acres of land. The District is located entirely within Harris County, Texas, and (except as described above under "Strategic Partnership Agreement") entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the "City"). The District is located within the Cypress-Fairbanks Independent School District. The District is located approximately twenty-two miles northwest of the central business district of the City. The entrance of the District at the intersection of Queenston Boulevard and Barker-Cypress Road is located one-quarter mile south of the intersection of U.S. Highway 290 and Barker-Cypress Road. The District is generally bounded to the north by U.S. Highway 290 and on the west by Barker-Cypress Road. Queenston Boulevard traverses the District north to south. Cypress-North Houston Boulevard traverses the northern portion of the District east to west. See "APPENDIX A - LOCATION MAP."

Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. All of the Directors reside within the District.

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Timothy Kearns	President	2024
Gabriel Garcia	Vice President	2024
Douglas Miksch	Secretary/Records Management Officer	2022
Richard Cannon	Assistant Secretary	2022
Timothy B. Hardin	Assistant Secretary	2024

The District does not have a general manager or any other employee, but has contracted for services, as follows.

Tax Assessor/Collector - The District has engaged B&A Municipal Tax Service, LLC, Houston, Texas, as the District's Tax Assessor/Collector. According to B&A Municipal Tax Service, LLC, it presently serves approximately 36 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax rate to appraisal rolls prepared by the Harris County Appraisal District and bills and collects such tax.

Utility System Operator - Inframark, LLC is employed by the District as the general operator of the District's System. According to Inframark, LLC, it serves as operator of the systems of approximately 125 districts.

Consulting Engineer - The District has employed the firm of Sander Engineering Corporation, Houston, Texas, as Consulting Engineer in connection with the overall planning activities and the design of major components of the System, including trunk underground water distribution, wastewater collection and storm drainage facilities, and water supply and wastewater treatment facilities.

Bookkeeper - The District has engaged Municipal Accounts & Consulting, L.P. as the District's Bookkeeper. According to Municipal Accounts & Consulting, L.P., it currently serves approximately 400 districts as bookkeeper.

Auditor - As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audited financial statements are filed with the TCEQ. The financial statements of the District as of May 31, 2019, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX B."

Bond Counsel and General Counsel – Schwartz, Page & Harding, L.L.P. ("Bond Counsel") serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

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

Special Tax Counsel - McCall, Parkhurst & Horton L.L.P., Dallas, Texas, has been engaged as Special Tax Counsel in connection with the issuance of the Bonds. The fees payable to Special Tax Counsel are contingent upon such Bonds actually being issued, sold and delivered. See "TAX MATTERS."

DEVELOPMENT OF THE DISTRICT

As of March 1, 2020, the District contained approximately 4,341 homes and approximately 21 vacant fully developed single-family residential lots that are available for home construction. Retail shopping centers and other improvements aggregating approximately 391,617 square feet of building area and a 177-unit apartment complex have been completed within the District, and other improvements are currently under construction within the District as is described below. There is no significant current single-family home building activity in the District. The development of the entirety of the developable land located within the District is complete.

According to the District's Engineer, the development of a total of 4,362 single-family residential lots (Stone Gate, Sections 1 through 18, Canyon Lakes Village, Sections 1 through 3, and Canyon Lakes at Stone Gate, Sections 1 through 14) located within the District (an aggregate of approximately 1,259.67 acres) is complete, and all of such lots have been provided water distribution, wastewater collection and storm drainage facilities and street paving. All of such single-family residential lots have been conveyed by the original developers of the District to home building companies. In addition, trunk underground water distribution, wastewater collection and storm drainage facilities and street paving have been constructed in the right-of-way of Queenston Boulevard, a major thoroughfare which traverses the District, Red Rugosa and Tuckerton Road. Retail shopping centers, restaurants, office buildings, and other improvements aggregating approximately 391,617 square feet of building area have been completed on approximately 49.2 acres of land located within the District that have been developed for commercial use through the provision of trunk underground water distribution and wastewater collection facilities and perimeter storm drainage facilities and an approximately 7,500 square foot business park is currently under construction (completion expected in approximately the first quarter of 2021) on approximately 4.2 acres within the District. The 177-unit West Lake Park Apartments have been constructed on approximately 7.3 acres located within the District. The District has, with the issuance of the Prior Bonds, financed all of the water, sanitary sewer and drainage facilities that it expects to finance through the issuance of bonds to complete the System. Therefore, the District does not currently expect to issue additional bonds for water, sanitary sewer and drainage facilities, unless future repairs to the System or annexation of land into the District necessitate such issuance. See "INVESTMENT CONSIDERATIONS - Future Debt." See "THE SYSTEM" for a description of the District's water supply and distribution, wastewater collection and treatment and storm drainage facilities (the "System").

36 holes of golf have been developed on approximately 356.1 acres of land located within the District. The Houston National Golf Club, which is a public golf course, consists of 18 holes plus an approximately 19,000 square foot clubhouse, pro shop and restaurant; an approximately 10,000 square foot cart storage facility, a bar and grill and driving range. The Sterling Country Club, which consists of the other 18 holes, is a private golf course that is adjacent to The Houston National Golf Club. The members of the Sterling Country Club have access to The Houston National Golf Club course and facilities. The District can make no prediction as to the ongoing viability of the Houston National Golf Club or the Sterling Country Club.

A clubhouse and recreation center, which include two tennis courts, a competition pool and wading pool, a weight room, and basketball and volleyball courts, have also been completed within the District. Such facilities are available for use by all residents of the District.

Approximately 163.85 additional acres of land located within the District are contained within various easements or rights-of-way, or are otherwise not available for future development. See "TAX DATA - Principal 2019 Taxpayers," and "INVESTMENT CONSIDERATIONS - Economic Factors Affecting Taxable Values and Tax Payments."

THE SYSTEM

Regulation

According to the District's Engineer, the System has 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, Harris County, and the Harris County Flood Control District.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. The total number of connections estimated at this time for the District upon the full development of its approximately 1,842.716 acres is 5,329 with a total estimated population of 18,652 people.

Description

The System presently serves Stone Gate, Sections 1 through 18, Canyon Lakes Village, Sections 1 through 3 and Canyon Lakes at Stone Gate, Sections 1 through 14 and approximately 56.5 additional acres of land located within the District that have been developed for commercial and multi-family use. See “DEVELOPMENT OF THE DISTRICT.” The District has, with the issuance of the Prior Bonds, financed all of the water, sanitary sewer and drainage facilities that it expects to finance through issuance of bonds to complete the System. Therefore, the District does not currently expect to issue additional bonds for water, sanitary sewer and drainage facilities, unless future repairs to the System or annexation of land into the District necessitate such issuance. See “INVESTMENT CONSIDERATIONS - Future Debt.”

Water Supply

The District's water supply is currently partially supplied by groundwater and/or surface water from HCMUD No. 196, pursuant to the “Permanent Water Supply Contract” dated October 31, 1999, the First Amendment to the Permanent Water Supply Contract dated November 18, 1999, the Second Amendment to the Permanent Water Supply Contract dated August 23, 2000, the Third Amendment to the Permanent Water Supply Contract dated September 19, 2001, the Fourth Amendment to the Permanent Water Supply Contract, dated December 28, 2005, and the Fifth Amendment to the Permanent Water Supply Contract, dated July 1, 2012, between the District and HCMUD No. 196. According to the contract, HCMUD No. 196's water supply facilities are capable of serving 4,280 equivalent single-family residential connections (“ESFCs”). The District purchased water supply from HCMUD No. 196 sufficient to serve 1,800 ESFCs with portions of the proceeds of the sale of the Prior Bonds. Additionally, the District financed with portions of the proceeds of the sale of the Prior Bonds its own Water Plant No. 1, Water Plant No. 2 and emergency power generators to serve the District. Water Plant No. 1 and Water Plant No. 2 include two (2) 1,500 gpm wells, four (4) 420,000 gallon ground storage tanks, 150,000 gallons of pressure tank capacity, and 8,000 gpm of booster pump capacity. According to the District's Engineer, Water Plant No. 1 and Water Plant No. 2 are capable of serving 4,632 ESFCs. The District has received a waiver from the TCEQ of a requirement that elevated storage be constructed. In November, 2009, the District began receiving surface water from the West Harris County Regional Water Authority as its primary source of water in order to comply with regulations regarding the reduction of groundwater withdrawal (see “Subsidence and Conversion to Surface Water Supply” below). The District will continue to maintain and operate the water wells at Water Plant Nos. 1 and 2 so that the wells remain operational for use on an emergency basis. All other previously constructed water plant facilities will remain operational to receive and distribute surface water and/or groundwater.

Wastewater Treatment

Wastewater treatment for the northern portion of the District is provided by HCMUD No. 196's wastewater treatment plant, which has a capacity of 1,400,000 gallons-per-day (“gpd”), 500,000 gpd of which is owned by the District. Such capacity owned by the District was financed with a portion of the proceeds of the sale of the Series 2001 Bonds. Wastewater treatment for the southern portion of the District is provided by a 1,100,000 gpd wastewater treatment plant financed by the District with a portion of the proceeds of the sale of the Series 2002 Bonds. The District's wastewater treatment plant facilities are capable of serving 5,333 ESFCs.

Drainage Improvements

Storm water within the District generally drains through underground lines to drainage ditches and detention facilities and then into Horsepen Creek which outfalls into Langham Creek. The District has financed certain drainage facilities, including underground lines, storm drainage channels and a detention system with portions of the proceeds of the sale of the Prior Bonds.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency ("FEMA") has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. 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 subsidies. 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. If substantial or frequent flooding of homes were to occur in the District, the maintenance of or the future growth of property values in the District could be adversely affected.

According to the District's Engineer, the FEMA Flood Hazard Boundary Maps (Map No. 48201C420P, Revised November 15, 2019, and Map No. 48201C0410M, Revised October 16, 2013) currently in effect which cover the land located in the District indicate the District is not within the 100-year flood plain.

The FEMA maps also indicate that approximately 10 acres within the District, which acreage includes a portion of Canyon Lakes at Stone Gate, Section 11 are located within Zone X (defined as "Areas of 0.2% annual chance flood; areas of 1% annual chance flood; with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 1% annual chance flood").

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

Subsidence and Conversion to Surface Water Supply

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in areas within the Subsidence District's jurisdiction. In 2001, the Texas legislature created the West Harris County Regional Water Authority (the "Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County (including the District) and a small portion of Fort Bend County. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District and HCMUD No. 196 are included within the Authority's GRP.

The Authority has the power to issue debt supported by the revenues pledged for the payment of its obligations and may establish fees, user fees, rates, charges and special assessments as necessary to accomplish its purposes. The District began receiving surface water from the Authority in November, 2009. HCMUD No. 196 began receiving surface water from the Authority in June 2012. The Authority currently charges the District and HCMUD No. 196 a fee of \$3.60 per 1,000 gallons of surface water supplied. The District pays to HCMUD No. 196 the amount of said fee paid by HCMUD No. 196 to the Authority related to water supplied to the District. As of the date hereof, the majority of the District's water supply is surface water. It is anticipated that said fees will increase in the future. The Authority has to date issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will issue substantially more bonds by the year 2030 to finance the Authority's project costs.

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) have limited groundwater withdrawals to no more than 70% of the total water demand within the Authority's GRP beginning January 2010; (ii) limit groundwater withdrawals to no more than 40% of the total water demand within the Authority's GRP beginning January 2025; and (iii) limit groundwater withdrawals to no more than 20% of the total water demand within the Authority's GRP beginning January 2035. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority currently is subject to a \$9.24 per 1,000 gallons disincentive fee penalty ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand within the Authority's GRP. The Disincentive Fee is subject to increase by the Subsidence District at any time. The Authority achieved and continues to meet the limitation required as of January 2010. In the event of such Authority's failure to comply with the increased limitations in future years, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely seek monetary or other penalties against the District.

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

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations solely of the District and not of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any political subdivision or agency other than the District, are secured by an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "THE BONDS - Source and Security for Payment." The ultimate security for payment of the principal of and interest on the Bonds depends upon the District's ability to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be a costly and lengthy processes. See "Tax Collection Limitations" and "Registered Owners' Remedies and Bankruptcy" below and "THE BONDS - Source and Security for Payment" and - "Remedies in Event of Default."

Economic Factors Affecting Taxable Values and Tax Payments

A substantial proportion of the assessed valuation of the property located within the District is attributable to the homes, commercial above-ground improvements and golf course improvements that have been constructed within the District. The maintenance of or the potential increase in the assessed valuation of the property located within the District are directly related to the vitality of the residential housing industry, and can be significantly affected by factors such as interest rates, energy availability and costs, construction costs, and consumer demand. Further declines in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing and the values of existing homes. Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although, as is described in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT," as of March 1, 2020, (i) the District contains a total of 4,362 fully-developed single-family residential lots, (ii) the development of 36 holes of golf and other

amenities has been completed in the District,(iii) the District contains approximately 4,341 single-family homes and approximately 21 vacant developed single-family residential lots that are available for home construction, plus completed commercial above-ground improvements aggregating approximately 391,617 square feet of building area and a 177-unit apartment complex; and (iv) an approximately 7,500 square foot business park that is currently under construction as described under such caption, the District cannot predict the pace or magnitude of any future development or single-family home construction or construction of future apartments or commercial buildings in the District other than that which has occurred to date. The District cannot predict what impact, if any, a downturn in the local housing market and a continued downturn in the national housing and financial markets may have on the Houston market generally and the District specifically, or the maintenance of assessed values in the District. There is no significant current single-family home building activity in the District.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage funding have a direct impact on homebuilding activity, particularly short-term interest rates at which homebuilders are able to finance the construction of new homes for sale. Interest rate levels may affect the ability of homebuilders to initiate the construction of new homes for sale, and the construction of new commercial above-ground improvements and apartments in the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued home construction within the District. In addition, since the District is located approximately 22 miles northwest from the central downtown business district of the City of Houston, the growth and maintenance of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect development and commercial building plans in the District and restrain the growth of the District's property tax base.

Maximum Impact on District Tax Rates

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Remaining Outstanding Bonds will be \$4,396,800 (2032) and the Average Annual Debt Service Requirements on the Bonds and the Remaining Outstanding Bonds will be \$4,288,562 (2020 through 2032, inclusive). The 2019 Assessed Valuation supplied by the Appraisal District is \$1,151,223,965. Assuming no increase to nor decrease from the 2019 Assessed Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.41 and \$0.40 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. The 2020 Preliminary Valuation supplied by the Appraisal District is \$1,210,701,936. Assuming no increase to nor decrease from the 2020 Preliminary Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.39 and \$0.38 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively.

The District levied a debt service tax for 2019 of \$0.37 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.145 per \$100 of Assessed Valuation. As the above calculations indicate, the 2019 debt service rate will not be sufficient to pay debt service on the Bonds and the Remaining Outstanding Bonds assuming taxable values in the District at the level of the 2019 Assessed Valuation or 2020 Preliminary Valuation, a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds. However, as is illustrated in this Official Statement under the caption "TAX DATA - Historical Values and Tax Collection History," the District has collected an average of 99.91% of its 2009 through 2018 tax levies as of May 31, 2020, and its 2019 tax levy was 97.80% collected as of such date. Moreover, the District's Bond Fund balance is estimated to be approximately \$7,764,387 as of delivery of the Bonds. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Bond Fund at any time, the District has in the past applied earnings from the investment of monies held in the Bond Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS"). Therefore, the District anticipates that it will be able to meet the debt service requirements on the Remaining Outstanding Bonds and the Bonds without increasing the District's debt service tax rate above the debt service tax rate that it has levied for 2019 - \$0.37 per \$100 of Assessed Valuation.

However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "TAX PROCEDURES." Increases in the District's tax rate to higher levels than the total \$0.515 per \$100 of Assessed Valuation that the District levied for 2019 may have an adverse impact upon the maintenance of taxable property values in the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the total of the 2019 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2019 tax rate, is \$2.6693 per \$100 of Assessed Valuation. Such rate of \$2.6693 per \$100 of Assessed Valuation is within the range of the total levies of municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District.

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 local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions affecting the marketability of taxable property within the District and limitation of the proceeds from a foreclosure sale of such property, (d) adverse effects on the proceeds of a foreclosure sale resulting from a taxpayer's limited right to redeem its foreclosed property as set forth below, or (e) insufficient foreclosure bids to satisfy the tax liens of all state and local taxing authorities which have parity liens on the 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. Moreover, the value of the property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. See "TAX PROCEDURES."

Registered Owners' Remedies and Bankruptcy

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

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

The District may not be placed into bankruptcy involuntarily.

Future Debt

The District reserved in the Bond Order the right to issue the remaining \$18,150,000 unlimited tax bonds authorized but unissued for waterworks, sanitary sewer and drainage facilities, and \$43,355,954.40 authorized but unissued unlimited tax refunding bonds, and such additional bonds as may hereafter be approved by the voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds described above for waterworks, sanitary sewer and drainage facilities, and for refunding purposes, which have heretofore been authorized by the voters of the District, may be issued by the District from time to time as needed. The issuance of such \$18,150,000 bonds for waterworks, wastewater and drainage facilities is also subject to TCEQ authorization

The District has, with the issuance of the Prior Bonds, financed all of the water, sanitary sewer and drainage facilities that it expects to finance through issuance of bonds to complete the System. Therefore, the District does not currently expect to issue additional bonds for water, sanitary sewer and drainage facilities, unless future repairs to the System or annexation of land into the District necessitate such issuance. However, if additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds and the Remaining Outstanding Bonds. See “THE BONDS - Issuance of Additional Debt,” “DISTRICT DEBT,” and “TAX DATA - Tax Rate Calculations.”

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. See “TAX MATTERS - Opinion.”

Marketability

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

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; or
- Requiring remedial action to prevent or mitigate pollution.

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

Air Quality Issues

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

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

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

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

The HGB Area is currently designated as a "marginal" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

Water Supply & Discharge Issues

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

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

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

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

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

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

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

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

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contains a new definition of "waters of the United States." The stated purpose of the NWPR is to restore and maintain the integrity of the nation's waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states' primary authority over land and water resources. The new definition outlines four categories of waters that are considered "waters of the United States," and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not "waters of the United States," and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR will become effective on June 22, 2020, which is the required 60 days after the date of its publication in the Federal Register, and will likely become the subject of further litigation.

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

Changes in Tax Legislation

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

Tropical Weather Events

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

The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. "500 year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the District's Engineer, the District's System did not sustain any material damage and there was no interruption of water and sewer service from Hurricane Harvey. Further, according to the District's Engineer and District officials, after investigation, approximately 30 homes and a few of the commercial improvements within the District experienced structural flooding. The District's Engineer and officials report that all of such homes and commercial improvements have been repaired, and the commercial improvements are currently operational. Hurricane Harvey could have a material impact on the Houston region's economy.

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

Specific Flood Type Risks

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

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 slowing the spread of COVID-19 by limiting instances where the public can congregate or interact with each other, which affects economic conditions 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 conditions and financial markets worldwide and within Texas and the Houston area. Stock values and oil prices, in the U.S. and globally, have seen significant declines attributed in part 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 necessarily indicative of the economic impact of the Pandemic on the District's financial condition.

Potential Effects of Oil Price Declines on the Houston Area

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

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriters a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds 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. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. The District will also furnish the legal opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel to the District, to the effect that interest on the Bonds is excludable from gross income of the owners for federal income tax purposes under existing law and not subject to the alternative minimum tax.

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel and Special Tax 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. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton, L.L.P., Houston, Texas.

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," "PLAN OF FINANCING - "Escrow Agreement," and - "Defeasance of the Refunded Bonds," (but only insofar as such section relates to the legal opinion of Bond Counsel) "THE DISTRICT - General," - "Strategic Partnership Agreement," and - "Management of the District - Bond Counsel and General Counsel," "TAX PROCEDURES," and "LEGAL MATTERS - Legal Opinions" (insofar as such section relates to the legal opinion of Bond Counsel) solely to determine whether such information fairly summarizes the law and documents referred to therein. In its capacity as Special Tax Counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, has reviewed the information appearing in this Official Statement under the captions "LEGAL MATTERS - Legal Opinions" (insofar as such section relates to the legal opinion of Special Tax Counsel) and "TAX MATTERS," solely to determine whether such information fairly summarizes the law referred to therein. Such firms have not independently verified factual information contained in this Official Statement, nor have such firms conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firms' limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

TAX MATTERS

Opinions

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

State, Local and Foreign Taxes

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

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

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

subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(1)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District expects to designate the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be "qualified tax-exempt obligations."

VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS

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

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

NO-LITIGATION CERTIFICATE

The District will furnish to the Underwriters a certificate, dated as of the date of delivery of the Bonds, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or to the knowledge of the District's certifying officers, threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

NO MATERIAL ADVERSE CHANGE

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

SOURCES OF INFORMATION

General

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

The financial statements of the District as of May 31, 2019, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX B."

Experts

The information contained in this Official Statement relating to engineering, to the description of the System generally and, in particular, the engineering information included in the sections captioned "THE DISTRICT," "DEVELOPMENT OF THE DISTRICT," and "THE SYSTEM," has been provided by Sander Engineering Corporation, Houston, Texas. Such information has been included herein in reliance upon the authority of said 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 valuations contained in the sections captioned "DISTRICT DEBT" and "TAX DATA" has been provided by the Harris County Appraisal District and B&A Municipal Tax Service, LLC. The District has included certain information herein in reliance upon B&A Municipal Tax Service's authority as an expert in the field of tax assessing and real property appraisal. The District has included certain information herein in reliance upon the Appraisal District's authority as an expert in the field of tax assessing and real property appraisal.

GENERAL CONSIDERATIONS

Updating of Official Statement

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

Certification of Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Underwriters a certificate, executed by the President or Vice President and Secretary or Assistant Secretary of the Board, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the information, descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data contained in this Official Statement, of or pertaining to entities other than the District and their activities are concerned, such statements

and data have been obtained from sources which the District believes to be reliable and that the District has no reason to believe that they are untrue in any material respect or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; however, the District has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly approved by the Board of Directors of the District as of the date specified on the first page hereof.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "SELECTED FINANCIAL INFORMATION," "TAX DATA," and in "APPENDIX B." The District will update and provide this information within six months after the end of each of its fiscal years ending in and after 2020.

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

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

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 days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of SEC Rule 15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of SEC Rule 15c2-12, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than

pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to 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 SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Registered Owners of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and Beneficial Owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided.

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12, except that the annual financial information filed in 2017 was not linked to certain Series 2010 maturities. Such information has now been filed and a Notice of Late Filing made.

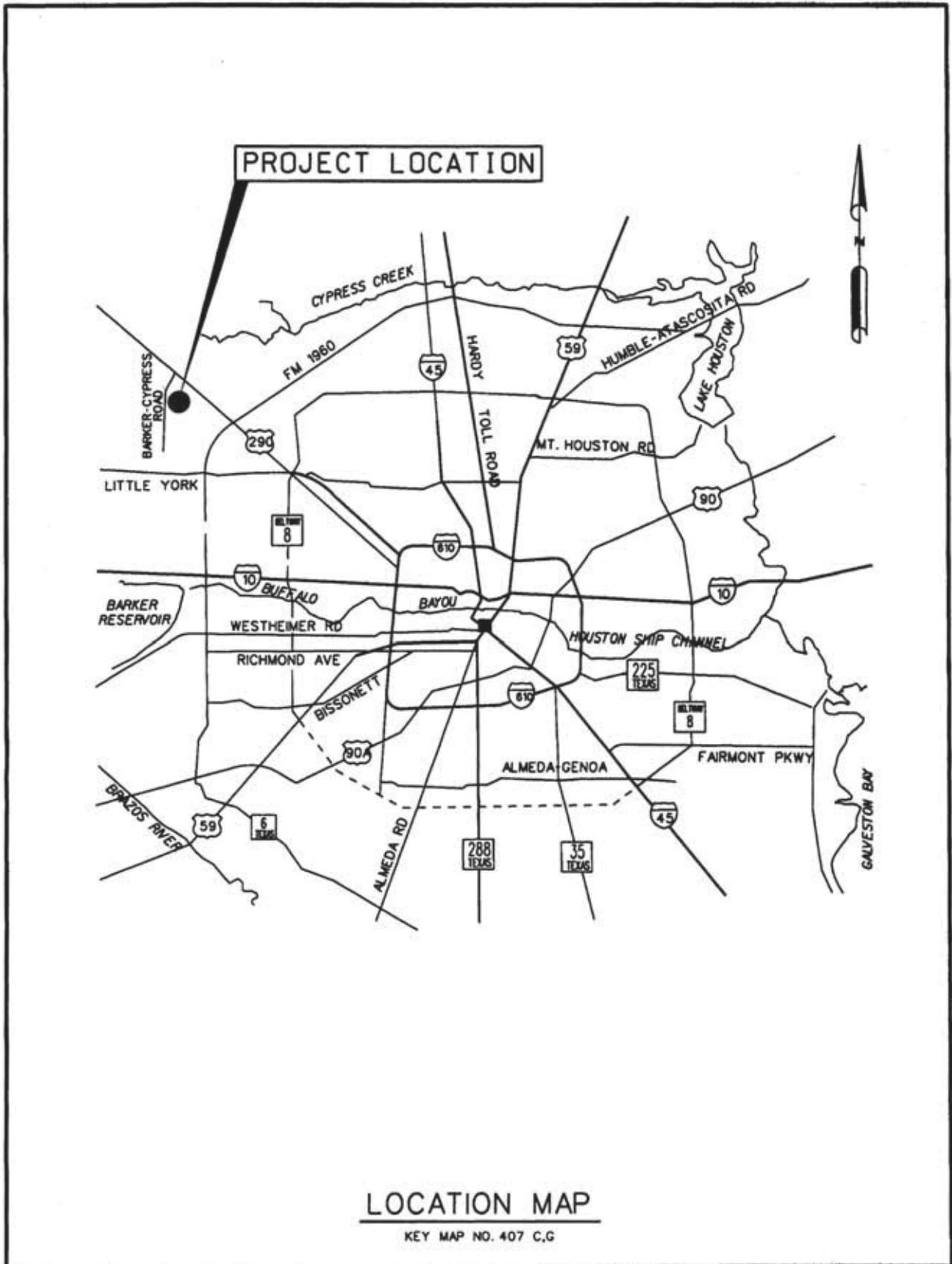
This Official Statement was approved by the Board of Directors of Remington Municipal Utility District No. 1, of Harris County, Texas, as of the date shown on the first page hereof.

/s/ Timothy Kearns
President, Board of Directors
Remington Municipal Utility District No. 1,
of Harris County, Texas

ATTEST:

/s/ Douglas Miksch
Secretary, Board of Directors
Remington Municipal Utility District No. 1,
of Harris County, Texas

APPENDIX A
LOCATION MAP



LOCATION MAP

KEY MAP NO. 407 C,G

APPENDIX B

**REMINGTON MUNICIPAL UTILITY DISTRICT NO. 1,
OF HARRIS COUNTY, TEXAS
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
MAY 31, 2019**

**Remington Municipal Utility District No. 1,
of Harris County, Texas**

Independent Auditor's Report and Financial Statements

May 31, 2019



**Remington Municipal Utility District No. 1,
of Harris County, Texas
May 31, 2019**

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Independent Auditor's Report

Board of Directors
Remington Municipal Utility District No. 1,
of Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Remington Municipal Utility District No. 1, of Harris County, Texas (the District), as of and for the year ended May 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of May 31, 2019, and the respective changes in financial position thereof 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 budgetary comparison schedule listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. 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 other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Houston, Texas
October 9, 2019

Remington Municipal Utility District No. 1, of Harris County, Texas

Management's Discussion and Analysis

May 31, 2019

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-wide Financial Statements

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

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

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

**Remington Municipal Utility District No. 1,
of Harris County, Texas**
Management's Discussion and Analysis (Continued)
May 31, 2019

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

**Remington Municipal Utility District No. 1,
of Harris County, Texas**
Management's Discussion and Analysis (Continued)
May 31, 2019

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

	2019	2018
Current and other assets	\$ 16,265,968	\$ 15,597,800
Capital assets	29,722,425	30,240,951
Total assets	45,988,393	45,838,751
Deferred outflows of resources	1,287,435	1,377,222
Total assets and deferred outflows of resources	\$ 47,275,828	\$ 47,215,973
Long-term liabilities	\$ 48,957,049	\$ 51,617,530
Other liabilities	2,138,021	2,023,522
Total liabilities	51,095,070	53,641,052
Net position:		
Net investment in capital assets	(17,947,189)	(19,999,357)
Restricted	7,597,772	7,636,350
Unrestricted	6,530,175	5,937,928
Total net position	\$ (3,819,242)	\$ (6,425,079)

The total net position of the District increased by \$2,605,837, or about 41 percent. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Remington Municipal Utility District No. 1,
of Harris County, Texas**
Management's Discussion and Analysis (Continued)
May 31, 2019

Summary of Changes in Net Position

	2019	2018
Revenues:		
Property taxes	\$ 5,556,134	\$ 5,092,413
City of Houston (the City) rebates	68,685	63,889
Charges for services	4,256,156	4,203,675
Other revenues	563,222	336,957
	<hr/>	<hr/>
Total revenues	10,444,197	9,696,934
	<hr/>	<hr/>
Expenses:		
Services	5,203,415	5,429,476
Depreciation	893,522	899,033
Debt service	1,741,423	1,851,466
	<hr/>	<hr/>
Total expenses	7,838,360	8,179,975
	<hr/>	<hr/>
Change in net position	2,605,837	1,516,959
Net position, beginning of year	(6,425,079)	(7,942,038)
	<hr/>	<hr/>
Net position, end of year	\$ (3,819,242)	\$ (6,425,079)
	<hr/> <hr/>	<hr/> <hr/>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended May 31, 2019, were \$14,315,364, an increase of \$495,228 from the prior year.

The general fund's fund balance increased by \$581,505, primarily due to property taxes, City of Houston rebates and service revenues in excess of service operation expenditures.

The debt service fund's fund balance decreased by \$86,277, primarily due to bond principal and interest requirements exceeding property tax revenues.

**Remington Municipal Utility District No. 1,
of Harris County, Texas
Management's Discussion and Analysis (Continued)
May 31, 2019**

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to City of Houston rebate and other revenues and investment income being higher than anticipated, as well as regional water fee revenues and related expenditures and repairs and maintenance and capital outlay expenditures being lower than anticipated. The fund balance as of May 31, 2019, was expected to be \$5,671,021 and the actual end-of-year fund balance was \$6,439,772.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2019	2018
Land	\$ 11,054,966	\$ 10,781,429
Construction in progress	101,459	-
Water facilities	7,191,004	7,537,173
Wastewater facilities	11,356,129	11,899,477
Land improvements	18,867	22,872
Total capital assets	\$ 29,722,425	\$ 30,240,951

During the current year, additions to capital assets were as follows:

Ditch A outfall pipe rehabilitation	\$ 273,537
Construction in progress relating to the lift station and sanitary sewer rehabilitations and wastewater treatment plant blower	101,459
Total additions to capital assets	\$ 374,996

Some of the District's bonds were approved by the Commission subject to contribution by the District's developers of 30 percent of certain construction and related engineering costs.

Debt

The changes in the debt position of the District during the fiscal year ended May 31, 2019, are summarized as follows.

**Remington Municipal Utility District No. 1,
of Harris County, Texas
Management's Discussion and Analysis (Continued)
May 31, 2019**

Long-term debt payable, beginning of year	\$ 51,617,530
Decreases in long-term debt	<u>(2,660,481)</u>
Long-term debt payable, end of year	<u>\$ 48,957,049</u>

At May 31, 2019, the District had \$18,150,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

The District's bonds carry an underlying rating of "A" by Standard & Poor's. The Series 2011, 2012, 2013 and 2015 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of insurance issued by Assured Guaranty Municipal Corp., the Series 2010 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of insurance issued by Assured Guaranty Corp., the Series 2014 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of insurance issued by Municipal Assurance Corp., and the Series 2017 refunding bonds carry an "A" rating from Standard & Poor's by the virtue of insurance issued by National Public Finance Guarantee Corporation.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent, except as set forth below.

Strategic Partnership Agreement

Effective July 11, 2006, the District entered into a Strategic Partnership Agreement (the Agreement) with the City, which annexed certain portions of the District into the City for "limited purposes," as described therein. Under the terms of the Agreement, the City has agreed it will not annex the District as a whole for full purposes for 30 years following the date of the Agreement, at which time the City has the option to annex the District if it chooses to do so.

Subsequent Event

On July 9, 2019, the District issued \$18,845,000 in unlimited tax refunding bonds, Series 2019 to currently refund \$260,000 of outstanding Series 2010 refunding bonds, \$9,565,000 of outstanding Series 2011 refunding bonds and \$8,705,000 of outstanding Series 2012 refunding bonds. The District refunded the bonds to reduce total debt service payments over future years by \$1,325,920 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,071,947.

**Remington Municipal Utility District No. 1,
of Harris County, Texas**
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2019

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 634,981	\$ 178,312	\$ 813,293	\$ -	\$ 813,293
Certificates of deposit	5,040,000	3,360,000	8,400,000	-	8,400,000
Short-term investments	1,721,488	4,413,309	6,134,797	-	6,134,797
Receivables:					
Property taxes	34,653	111,987	146,640	-	146,640
Service accounts	358,160	-	358,160	-	358,160
Tax rebates	17,774	-	17,774	-	17,774
Accrued penalty and interest	-	-	-	43,138	43,138
Accrued interest	55,595	65,346	120,941	-	120,941
Interfund receivable	141,317	-	141,317	(141,317)	-
Due from others	88,784	-	88,784	55,750	144,534
Prepaid expenditures	62,013	-	62,013	-	62,013
Operating deposit	24,678	-	24,678	-	24,678
Capital assets (net of accumulated depreciation):					
Land	-	-	-	11,054,966	11,054,966
Construction in progress	-	-	-	101,459	101,459
Infrastructure	-	-	-	18,566,000	18,566,000
Total assets	8,179,443	8,128,954	16,308,397	29,679,996	45,988,393
Deferred Outflows of Resources					
Deferred amount on debt refundings	0	0	0	1,287,435	1,287,435
Total assets and deferred outflows of resources	\$ 8,179,443	\$ 8,128,954	\$ 16,308,397	\$ 30,967,431	\$ 47,275,828

Remington Municipal Utility District No. 1, of Harris County, Texas

Statement of Net Position and Governmental Funds Balance Sheet (Continued)

May 31, 2019

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Liabilities					
Accounts payable	\$ 739,826	\$ 58	\$ 739,884	\$ -	\$ 739,884
Accrued interest payable	-	-	-	432,945	432,945
Retainage payable	7,311	-	7,311	-	7,311
Customer deposits	956,995	-	956,995	-	956,995
Due to others	886	-	886	-	886
Interfund payable	-	141,317	141,317	(141,317)	-
Long-term liabilities:					
Due within one year	-	-	-	2,640,000	2,640,000
Due after one year	-	-	-	46,317,049	46,317,049
Total liabilities	<u>1,705,018</u>	<u>141,375</u>	<u>1,846,393</u>	<u>49,248,677</u>	<u>51,095,070</u>
Deferred Inflows of Resources					
Deferred property tax revenues	<u>34,653</u>	<u>111,987</u>	<u>146,640</u>	<u>(146,640)</u>	<u>0</u>
Fund Balances/Net Position					
Fund balances:					
Nonspendable, prepaid expenditures	62,013	-	62,013	(62,013)	-
Restricted, unlimited tax bonds	-	7,875,592	7,875,592	(7,875,592)	-
Assigned:					
Future expenditures	597,503	-	597,503	(597,503)	-
Operating deposit	24,678	-	24,678	(24,678)	-
Unassigned	<u>5,755,578</u>	<u>-</u>	<u>5,755,578</u>	<u>(5,755,578)</u>	<u>-</u>
Total fund balances	<u>6,439,772</u>	<u>7,875,592</u>	<u>14,315,364</u>	<u>(14,315,364)</u>	<u>0</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,179,443</u>	<u>\$ 8,128,954</u>	<u>\$ 16,308,397</u>		
Net position:					
Net investment in capital assets				(17,947,189)	(17,947,189)
Restricted for debt service				7,597,772	7,597,772
Unrestricted				<u>6,530,175</u>	<u>6,530,175</u>
Total net position				<u>\$ (3,819,242)</u>	<u>\$ (3,819,242)</u>

**Remington Municipal Utility District No. 1,
of Harris County, Texas**
**Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances**
Year Ended May 31, 2019

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Property taxes	\$ 1,335,090	\$ 4,185,607	\$ 5,520,697	\$ 35,437	\$ 5,556,134
City of Houston rebates	68,685	-	68,685	-	68,685
Water service	1,446,788	-	1,446,788	-	1,446,788
Sewer service	1,281,708	-	1,281,708	-	1,281,708
Regional water fee	1,527,660	-	1,527,660	-	1,527,660
Penalty and interest	86,574	36,148	122,722	6,810	129,532
Tap connection and inspection fees	10,650	-	10,650	-	10,650
Investment income	120,135	138,903	259,038	-	259,038
Other income	168,559	87	168,646	(4,644)	164,002
Total revenues	<u>6,045,849</u>	<u>4,360,745</u>	<u>10,406,594</u>	<u>37,603</u>	<u>10,444,197</u>
Expenditures/Expenses					
Service operations:					
Purchased services	1,717,382	-	1,717,382	-	1,717,382
Regional water fee	191,894	-	191,894	-	191,894
Professional fees	208,173	9,172	217,345	9,499	226,844
Contracted services	1,197,282	93,067	1,290,349	-	1,290,349
Utilities	202,128	-	202,128	-	202,128
Repairs and maintenance	1,463,536	-	1,463,536	-	1,463,536
Other expenditures	99,454	11,828	111,282	-	111,282
Capital outlay	384,495	-	384,495	(384,495)	-
Depreciation	-	-	-	893,522	893,522
Debt service:					
Principal retirement	-	2,555,000	2,555,000	(2,555,000)	-
Interest and fees	-	1,777,955	1,777,955	(36,532)	1,741,423
Total expenditures/expenses	<u>5,464,344</u>	<u>4,447,022</u>	<u>9,911,366</u>	<u>(2,073,006)</u>	<u>7,838,360</u>
Excess (Deficiency) of Revenues Over Expenditures					
	581,505	(86,277)	495,228	(495,228)	
Change in Net Position				2,605,837	2,605,837
Fund Balances/Net Position					
Beginning of year	5,858,267	7,961,869	13,820,136	-	(6,425,079)
End of year	<u>\$ 6,439,772</u>	<u>\$ 7,875,592</u>	<u>\$ 14,315,364</u>	<u>\$ 0</u>	<u>\$ (3,819,242)</u>

**Remington Municipal Utility District No. 1,
of Harris County, Texas**
Notes to Financial Statements
May 31, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Remington Municipal Utility District No. 1 of Harris County, Texas (the District), was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective October 8, 1986, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District. The District also provides solid waste disposal and security service.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

**Remington Municipal Utility District No. 1,
of Harris County, Texas
Notes to Financial Statements
May 31, 2019**

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Remington Municipal Utility District No. 1,
of Harris County, Texas**
Notes to Financial Statements
May 31, 2019

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

**Remington Municipal Utility District No. 1,
of Harris County, Texas
Notes to Financial Statements
May 31, 2019**

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of 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 amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Investments and Investment Income

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

**Remington Municipal Utility District No. 1,
of Harris County, Texas
Notes to Financial Statements
May 31, 2019**

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended May 31, 2019, include collections during the current period or within 60 days of year-end related to the 2018 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended May 31, 2019, the 2018 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Land improvements	20

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

**Remington Municipal Utility District No. 1,
of Harris County, Texas
Notes to Financial Statements
May 31, 2019**

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

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

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 29,722,425
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	146,640
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	43,138
Amounts due from others are not receivable in the current period and are not reported in the funds.	55,750
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	1,287,435

**Remington Municipal Utility District No. 1,
of Harris County, Texas
Notes to Financial Statements
May 31, 2019**

Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	\$ (432,945)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(48,957,049)</u>
Adjustment to fund balances to arrive at net position.	<u>\$ (18,134,606)</u>

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because:

Change in fund balances.	\$ 495,228
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and noncapitalized costs exceeded capital outlay expenditures in the current period.	(518,526)
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	2,555,000
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.	37,603
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>36,532</u>
Change in net position of governmental activities.	<u>\$ 2,605,837</u>

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

**Remington Municipal Utility District No. 1,
of Harris County, Texas
Notes to Financial Statements
May 31, 2019**

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At May 31, 2019, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations.

At May 31, 2019, the District had the following investments and maturities.

Type	Maturities in Years				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Texas CLASS	\$ 6,134,797	\$ 6,134,797	\$ 0	\$ 0	\$ 0

**Remington Municipal Utility District No. 1,
of Harris County, Texas
Notes to Financial Statements
May 31, 2019**

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2019, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at May 31, 2019, as follows:

Carrying value:		
Deposits	\$	9,213,293
Investments		6,134,797
Total	\$	15,348,090

Included in the following statement of net position captions:

Cash	\$	813,293
Certificates of deposit		8,400,000
Short-term investments		6,134,797
Total	\$	15,348,090

Investment Income

Investment income of \$259,038 for the year ended May 31, 2019, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of May 31, 2019:

- Pooled investments of \$6,134,797 are valued at fair value per share of the pool's underlying portfolio.

**Remington Municipal Utility District No. 1,
of Harris County, Texas**
Notes to Financial Statements
May 31, 2019

Note 3: Capital Assets

A summary of changes in capital assets for the year ended May 31, 2019, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land	\$ 10,781,429	\$ 273,537	\$ 11,054,966
Construction in progress	-	101,459	101,459
Total capital assets, non-depreciable	<u>10,781,429</u>	<u>374,996</u>	<u>11,156,425</u>
Capital assets, depreciable:			
Water production and distribution facilities	12,286,544	-	12,286,544
Wastewater collection and treatment facilities	18,872,177	-	18,872,177
Land improvements	49,019	-	49,019
Total capital assets, depreciable	<u>31,207,740</u>	<u>0</u>	<u>31,207,740</u>
Less accumulated depreciation:			
Water production and distribution facilities	(4,749,371)	(346,169)	(5,095,540)
Wastewater collection and treatment facilities	(6,972,700)	(543,348)	(7,516,048)
Land improvements	(26,147)	(4,005)	(30,152)
Total accumulated depreciation	<u>(11,748,218)</u>	<u>(893,522)</u>	<u>(12,641,740)</u>
Total governmental activities, net	<u>\$ 30,240,951</u>	<u>\$ (518,526)</u>	<u>\$ 29,722,425</u>

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended May 31, 2019, were as follows.

**Remington Municipal Utility District No. 1,
of Harris County, Texas**
Notes to Financial Statements
May 31, 2019

Governmental Activities	Balances, Beginning of Year	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:				
General obligation bonds	\$ 50,135,000	\$ 2,555,000	\$ 47,580,000	\$ 2,640,000
Add premiums on bonds	<u>1,482,530</u>	<u>105,481</u>	<u>1,377,049</u>	<u>-</u>
Total governmental activities long-term liabilities	<u><u>\$ 51,617,530</u></u>	<u><u>\$ 2,660,481</u></u>	<u><u>\$ 48,957,049</u></u>	<u><u>\$ 2,640,000</u></u>

General Obligation Bonds

	Refunding Series 2010	Refunding Series 2011
Amounts outstanding, May 31, 2019	\$295,000	\$9,685,000
Interest rates	3.50% to 4.50%	4.00% to 4.25%
Maturity dates, serially beginning/ending	September 1, 2019/2027	September 1, 2019/2032
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2017	September 1, 2018
	Refunding Series 2012	Refunding Series 2013
Amounts outstanding, May 31, 2019	\$8,990,000	\$7,645,000
Interest rates	2.00% to 4.00%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2019/2032	September 1, 2019/2032
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2019	September 1, 2020

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

**Remington Municipal Utility District No. 1,
of Harris County, Texas
Notes to Financial Statements
May 31, 2019**

	Refunding Series 2014	Refunding Series 2015
	<hr/>	<hr/>
Amounts outstanding, May 31, 2019	\$7,175,000	\$8,895,000
Interest rates	3.00% to 4.00%	2.00% to 3.50%
Maturity dates, serially beginning/ending	September 1, 2019/2027	September 1, 2019/2032
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2021	September 1, 2022
		Refunding Series 2017
		<hr/>
Amount outstanding, May 31, 2019		\$4,895,000
Interest rates		2.00% to 4.00%
Maturity dates, serially beginning/ending		September 1, 2019/2027
Interest payment dates		September 1/ March 1
Callable date*		September 1, 2024

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at May 31, 2019.

Year	Principal	Interest	Total
	<hr/>	<hr/>	<hr/>
2020	\$ 2,640,000	\$ 1,694,131	\$ 4,334,131
2021	2,720,000	1,613,330	4,333,330
2022	2,810,000	1,520,631	4,330,631
2023	2,915,000	1,421,856	4,336,856
2024	3,015,000	1,321,048	4,336,048
2025-2029	16,935,000	4,803,446	21,738,446
2030-2033	16,545,000	1,345,237	17,890,237
	<hr/>	<hr/>	<hr/>
Total	\$ 47,580,000	\$ 13,719,679	\$ 61,299,679
	<hr/>	<hr/>	<hr/>

**Remington Municipal Utility District No. 1,
of Harris County, Texas
Notes to Financial Statements
May 31, 2019**

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount.

Bonds voted	\$ 88,000,000
Bonds sold	69,850,000
Refunding bonds authorization voted	49,000,000
Refunding bonds authorization used	4,830,726*

*The District has issued \$80,300,000 of refunding bonds; however, of such amount, \$4,830,726 has been applied to the voter-authorized bonds and the remaining \$75,469,274 has been issued pursuant to Chapter 1207 of the Texas Government Code.

Note 5: Significant Bond Order and Commission Requirements

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. During the year ended May 31, 2019, the District levied an ad valorem debt service tax at the rate of \$0.3900 per \$100 of assessed valuation, which resulted in a tax levy of \$4,207,487 on the taxable valuation of \$1,078,842,553 for the 2018 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are \$4,371,780 of which \$865,890 has been paid and \$3,505,890 is due September 1, 2019.

Note 6: Maintenance Taxes

At an election held January 17, 1987, voters authorized a maintenance tax not to exceed \$1.00 per \$100 valuation on all property within the District subject to taxation. During the year ended May 31, 2019, the District levied an ad valorem maintenance tax at the rate of \$0.1250 per \$100 of assessed valuation, which resulted in a tax levy of \$1,348,553 on the taxable valuation of \$1,078,842,553 for the 2018 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Water Supply Agreement

On October 31, 1999, as last amended July 1, 2012, the District entered into a permanent water supply agreement with Harris County Municipal Utility District No. 196 (District No. 196). Under the terms of the agreement, District No. 196 conveyed to the District capacity in District No. 196's water plants sufficient to serve 1,800 equivalent connections. The cost of the 1,800 equivalent connections was \$1,600,000.

**Remington Municipal Utility District No. 1,
of Harris County, Texas**
Notes to Financial Statements
May 31, 2019

The District's share of operating costs is based upon District No. 196's cost of production (currently \$0.675 per each 1,000 gallons), plus a prorated percent of said cost based on gallons metered. During the current year, the District incurred costs of \$103,885 related to water purchased from District No. 196.

Note 8: Waste Disposal Agreements

On April 25, 2001, as last amended March 20, 2002, the District and District No. 196 entered into a permanent waste disposal agreement pursuant to which, effective May 1, 2004, the District owns 500,000 gallons per day of capacity in District No. 196's wastewater treatment plant. The District pays fixed operation and maintenance costs based upon its 35.70 percent share of the plant and pays variable costs based upon actual flows to the plant. During the current year, the District incurred costs of \$165,817 related to the agreement.

Note 9: Regional Water Authority

The District is within the boundaries of the West Harris County Regional Water Authority (the Authority), which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of May 31, 2019, the Authority was billing the District \$2.95 per 1,000 gallons of water pumped from its wells and \$3.35 per 1,000 gallons of surface water supplied. These amounts are subject to future increases.

Note 10: Strategic Partnership Agreement

Effective July 11, 2006, the District and the City of Houston (the City) entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed certain tracts of land (the tracts) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all sales and use tax revenues generated within the boundaries of the tracts. As consideration for the sales tax payments by the City, the District agrees to continue to provide and develop water, sewer and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. During the current year, the District recorded \$68,685 in revenues related to the Agreement.

**Remington Municipal Utility District No. 1,
of Harris County, Texas**
Notes to Financial Statements
May 31, 2019

Note 11: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 12: Due From Other Districts

The District entered into a service and taxation agreement on December 21, 2005, and later amended on April 26, 2006, with West Harris County Municipal Utility District No. 14 (District No. 14), whereby District No. 14 was to reimburse the District for facilities constructed within the boundary lines of District No. 14. The agreement states the District will be reimbursed \$116,122 in 24 equal installments of \$4,644 and a final installment of \$4,666 with the first payment due June 1, 2006, and each subsequent payment due on June 1 each year until paid in full. The District received \$4,644 from District No. 14 during the current year, with a remaining balance due of \$55,750 as of May 31, 2019.

Note 13: Subsequent Event

On July 9, 2019, the District issued \$18,845,000 in unlimited tax refunding bonds, Series 2019 to currently refund \$260,000 of outstanding Series 2010 refunding bonds, \$9,565,000 of outstanding Series 2011 refunding bonds and \$8,705,000 of outstanding Series 2012 refunding bonds. The District refunded the bonds to reduce total debt service payments over future years by \$1,325,920 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,071,947.

Required Supplementary Information

Remington Municipal Utility District No. 1, of Harris County, Texas

Budgetary Comparison Schedule – General Fund Year Ended May 31, 2019

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 848,776	\$ 1,332,499	\$ 1,335,090	\$ 2,591
City of Houston rebates	48,000	42,000	68,685	26,685
Water service	1,465,000	1,465,000	1,446,788	(18,212)
Sewer service	1,250,000	1,290,000	1,281,708	(8,292)
Regional water fee	1,592,753	1,760,000	1,527,660	(232,340)
Penalty and interest	82,250	95,250	86,574	(8,676)
Tap connection and inspection fees	8,500	10,500	10,650	150
Investment income	71,000	71,000	120,135	49,135
Other income	4,644	141,054	168,559	27,505
Total revenues	<u>5,370,923</u>	<u>6,207,303</u>	<u>6,045,849</u>	<u>(161,454)</u>
Expenditures				
Service operations:				
Purchased services	1,677,585	1,705,000	1,717,382	(12,382)
Regional water fee	198,168	338,000	191,894	146,106
Professional fees	263,000	263,000	208,173	54,827
Contracted services	1,220,000	1,220,000	1,197,282	22,718
Utilities	200,000	200,000	202,128	(2,128)
Repairs and maintenance	1,505,200	1,589,200	1,463,536	125,664
Other expenditures	107,850	103,621	99,454	4,167
Capital outlay	681,400	975,728	384,495	591,233
Total expenditures	<u>5,853,203</u>	<u>6,394,549</u>	<u>5,464,344</u>	<u>930,205</u>
Excess (Deficiency) of Revenues Over Expenditures	(482,280)	(187,246)	581,505	768,751
Fund Balance, Beginning of Year	<u>5,858,267</u>	<u>5,858,267</u>	<u>5,858,267</u>	-
Fund Balance, End of Year	<u>\$ 5,375,987</u>	<u>\$ 5,671,021</u>	<u>\$ 6,439,772</u>	<u>\$ 768,751</u>

**Remington Municipal Utility District No. 1,
of Harris County, Texas**
Notes to Required Supplementary Information
May 31, 2019

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended during fiscal 2019.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule - General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Other Information

**Remington Municipal Utility District No. 1,
of Harris County, Texas**
Other Schedules Included Within This Report
May 31, 2019

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 12-26
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel and Consultants

Remington Municipal Utility District No. 1, of Harris County, Texas

Schedule of Services and Rates

Year Ended May 31, 2019

1. Services provided by the District:

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

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
Water:	\$ 19.00	5,000	N	\$ 1.50	5,001 to 10,000
				\$ 1.75	10,001 to 20,000
				\$ 2.00	20,001 to 30,000
				\$ 2.25	30,001 to No Limit
Wastewater:	\$ 23.89	0	Y		
Regional water fee:	\$ 3.35	1	N	\$ 3.35	1,001 to No Limit
Does the District employ winter averaging for wastewater usage?					Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):				Water \$ 60.00	Wastewater \$ 23.89

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	3,905	3,887	x1.0	3,887
1"	507	503	x2.5	1,258
1 1/2"	13	13	x5.0	65
2"	46	45	x8.0	360
3"	3	3	x15.0	45
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	2	2	x80.0	160
10"	1	1	x115.0	115
Total water	4,477	4,454		5,890
Total wastewater	4,415	4,394	x1.0	4,394

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	529,299
Gallons billed to customers:	494,103
Water accountability ratio (gallons billed/gallons pumped):	93.35%

*"ESFC" means equivalent single-family connections

**Remington Municipal Utility District No. 1,
of Harris County, Texas**
Schedule of General Fund Expenditures
Year Ended May 31, 2019

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	20,700	
Legal		98,967	
Engineering		88,506	
Financial advisor		-	208,173
		<hr/>	
Purchased Services for Resale			
Bulk water and wastewater service purchases			1,717,382
Regional Water Fee			191,894
Contracted Services			
Bookkeeping		36,044	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		207,495	
Other contracted services		270,134	513,673
		<hr/>	
Utilities			202,128
Repairs and Maintenance			1,463,536
Administrative Expenditures			
Directors' fees		9,300	
Office supplies		5,971	
Insurance		31,128	
Other administrative expenditures		34,940	81,339
		<hr/>	
Capital Outlay			
Capitalized assets		374,995	
Expenditures not capitalized		9,500	384,495
		<hr/>	
Tap Connection Expenditures			-
Solid Waste Disposal			683,609
Fire Fighting			-
Parks and Recreation			-
Other Expenditures			18,115
			<hr/>
Total expenditures			<u>\$ 5,464,344</u>

**Remington Municipal Utility District No. 1,
of Harris County, Texas**
Schedule of Temporary Investments
May 31, 2019

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 5000007079	2.60%	03/12/20	\$ 240,000	\$ 1,368
No. 91300011883815	2.75%	04/10/20	240,000	922
No. 6738636706	2.38%	08/05/19	240,000	4,710
No. 6764128166	2.60%	10/11/19	240,000	3,966
No. 6751020153	2.38%	07/23/19	240,000	4,867
No. 331	2.00%	06/21/19	240,000	4,511
No. 83185272	2.65%	12/21/19	240,000	2,805
No. 66000204	2.50%	01/28/20	240,000	2,022
No. 71109747	2.15%	07/08/19	240,000	4,609
No. 12218	2.65%	02/11/20	240,000	1,899
No. 440006019	2.70%	03/22/20	240,000	1,225
No. 102200	2.65%	05/17/20	240,000	401
No. 304287	2.40%	09/04/19	240,000	4,277
No. 4189317	2.45%	11/21/19	240,000	3,077
No. 0137246534	2.37%	08/20/19	240,000	4,457
No. 2000000016	2.65%	02/23/20	240,000	1,690
No. 12699	2.60%	04/27/20	240,000	564
No. 3116003058	2.60%	03/26/20	240,000	1,111
No. 6000019338	2.60%	12/14/19	240,000	2,872
No. 5216	2.45%	11/23/19	240,000	3,045
No. 9009003916	2.60%	03/20/20	240,000	1,197
Texas CLASS	2.55%	Demand	1,721,488	-
			6,761,488	55,595

**Remington Municipal Utility District No. 1,
of Harris County, Texas**
Schedule of Temporary Investments (Continued)
May 31, 2019

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
Debt Service Fund				
Certificates of Deposit				
No. 102774106	2.00%	06/24/19	\$ 240,000	\$ 4,484
No. 498832	2.00%	06/26/19	240,000	4,445
No. 6759940561	2.15%	06/25/19	240,000	4,807
No. 330	2.30%	08/11/19	240,000	4,431
No. 83231829	2.06%	06/24/19	240,000	4,605
No. 66000335	2.30%	06/23/19	240,000	5,157
No. 12089	2.40%	08/13/19	240,000	4,624
No. 312678	2.40%	08/10/19	240,000	4,640
No. 4188865	2.06%	06/25/19	240,000	4,592
No. 0137246194	2.25%	07/01/19	240,000	5,015
No. 12947	2.35%	08/11/19	240,000	4,527
No. 3116002922	2.40%	08/17/19	240,000	4,529
No. 6000021938	2.35%	08/11/19	240,000	4,527
No. 9009003955	2.20%	06/20/19	240,000	4,963
Texas CLASS	2.55%	Demand	4,413,309	-
			<u>7,773,309</u>	<u>65,346</u>
Totals			<u>\$ 14,534,797</u>	<u>\$ 120,941</u>

**Remington Municipal Utility District No. 1,
of Harris County, Texas**
Analysis of Taxes Levied and Receivable
Year Ended May 31, 2019

	Maintenance Taxes	Debt Service Taxes
	<u> </u>	<u> </u>
Receivable, Beginning of Year	\$ 19,267	\$ 91,936
Additions and corrections to prior years' taxes	<u>1,923</u>	<u>(1,829)</u>
Adjusted receivable, beginning of year	<u>21,190</u>	<u>90,107</u>
2018 Original Tax Levy	1,317,085	4,109,306
Additions and corrections	<u>31,468</u>	<u>98,181</u>
Adjusted tax levy	<u>1,348,553</u>	<u>4,207,487</u>
Total to be accounted for	1,369,743	4,297,594
Tax collections: Current year	(1,323,687)	(4,129,906)
Prior years	<u>(11,403)</u>	<u>(55,701)</u>
Receivable, end of year	<u>\$ 34,653</u>	<u>\$ 111,987</u>
Receivable, by Years		
2018	\$ 24,866	\$ 77,581
2017	3,725	7,237
2016	701	4,104
2015	718	4,617
2014	997	3,740
2013	1,583	2,787
2012	627	3,447
2011	582	3,310
2010	287	1,617
2009	133	736
2008	153	865
2007	126	727
2005	152	1,188
2004	<u>3</u>	<u>31</u>
Receivable, end of year	<u>\$ 34,653</u>	<u>\$ 111,987</u>

Remington Municipal Utility District No. 1, of Harris County, Texas

Analysis of Taxes Levied and Receivable (Continued) Year Ended May 31, 2019

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Property Valuations				
Land	\$ 178,727,950	\$ 172,451,604	\$ 169,815,229	\$ 168,243,614
Improvements	907,250,571	895,336,438	877,639,488	798,722,866
Personal property	16,494,753	14,590,864	16,133,666	17,061,319
Exemptions	<u>(23,630,721)</u>	<u>(20,896,830)</u>	<u>(21,601,525)</u>	<u>(21,873,034)</u>
Total property valuations	<u>\$ 1,078,842,553</u>	<u>\$ 1,061,482,076</u>	<u>\$ 1,041,986,858</u>	<u>\$ 962,154,765</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.3900	\$ 0.4000	\$ 0.4100	\$ 0.4500
Maintenance tax rates*	<u>0.1250</u>	<u>0.0800</u>	<u>0.0700</u>	<u>0.0700</u>
Total tax rates per \$100 valuation	<u>\$ 0.5150</u>	<u>\$ 0.4800</u>	<u>\$ 0.4800</u>	<u>\$ 0.5200</u>
Tax Levy	<u>\$ 5,556,040</u>	<u>\$ 5,095,114</u>	<u>\$ 5,001,537</u>	<u>\$ 5,003,204</u>
Percent of Taxes Collected to Taxes Levied**	<u>98%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: \$1.00 on January 17, 1987

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

**Remington Municipal Utility District No. 1,
of Harris County, Texas**
Schedule of Long-term Debt Service Requirements by Years
May 31, 2019

Due During Fiscal Years Ending May 31	Refunding Series 2010		
	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 35,000	\$ 11,455	\$ 46,455
2021	35,000	10,055	45,055
2022	40,000	8,555	48,555
2023	40,000	6,955	46,955
2024	40,000	5,335	45,335
2025	45,000	3,570	48,570
2026	20,000	2,200	22,200
2027	20,000	1,338	21,338
2028	20,000	450	20,450
Totals	<u>\$ 295,000</u>	<u>\$ 49,913</u>	<u>\$ 344,913</u>

**Remington Municipal Utility District No. 1,
of Harris County, Texas**

**Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2019**

Due During Fiscal Years Ending May 31	Refunding Series 2011		
	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 120,000	\$ 392,650	\$ 512,650
2021	130,000	387,650	517,650
2022	30,000	384,450	414,450
2023	35,000	383,150	418,150
2024	35,000	381,750	416,750
2025	35,000	380,350	415,350
2026	485,000	369,950	854,950
2027	830,000	343,650	1,173,650
2028	865,000	309,750	1,174,750
2029	375,000	284,950	659,950
2030	380,000	269,850	649,850
2031	390,000	254,450	644,450
2032	2,915,000	188,350	3,103,350
2033	3,060,000	65,025	3,125,025
Totals	\$ 9,685,000	\$ 4,395,975	\$ 14,080,975

**Remington Municipal Utility District No. 1,
of Harris County, Texas**

**Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2019**

Due During Fiscal Years Ending May 31	Refunding Series 2012		
	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 285,000	\$ 325,138	\$ 610,138
2021	305,000	313,338	618,338
2022	655,000	294,138	949,138
2023	675,000	270,913	945,913
2024	695,000	250,363	945,363
2025	710,000	228,400	938,400
2026	725,000	205,081	930,081
2027	425,000	185,863	610,863
2028	435,000	170,813	605,813
2029	975,000	143,700	1,118,700
2030	1,020,000	103,800	1,123,800
2031	1,055,000	62,300	1,117,300
2032	515,000	30,900	545,900
2033	515,000	10,300	525,300
Totals	\$ 8,990,000	\$ 2,595,047	\$ 11,585,047

**Remington Municipal Utility District No. 1,
of Harris County, Texas**

**Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2019**

Due During Fiscal Years Ending May 31	Refunding Series 2013		
	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 335,000	\$ 285,413	\$ 620,413
2021	345,000	275,212	620,212
2022	460,000	261,988	721,988
2023	480,000	245,538	725,538
2024	490,000	227,950	717,950
2025	515,000	209,106	724,106
2026	540,000	189,325	729,325
2027	560,000	168,000	728,000
2028	585,000	145,100	730,100
2029	615,000	121,100	736,100
2030	635,000	96,100	731,100
2031	665,000	70,100	735,100
2032	695,000	42,900	737,900
2033	725,000	14,500	739,500
Totals	<u>\$ 7,645,000</u>	<u>\$ 2,352,332</u>	<u>\$ 9,997,332</u>

**Remington Municipal Utility District No. 1,
of Harris County, Texas**

**Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2019**

Due During Fiscal Years Ending May 31	Refunding Series 2014		
	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 820,000	\$ 258,100	\$ 1,078,100
2021	840,000	233,200	1,073,200
2022	525,000	210,100	735,100
2023	555,000	188,500	743,500
2024	585,000	165,700	750,700
2025	600,000	142,000	742,000
2026	1,115,000	107,700	1,222,700
2027	1,040,000	64,600	1,104,600
2028	1,095,000	21,900	1,116,900
Totals	<u>\$ 7,175,000</u>	<u>\$ 1,391,800</u>	<u>\$ 8,566,800</u>

**Remington Municipal Utility District No. 1,
of Harris County, Texas**

**Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2019**

Due During Fiscal Years Ending May 31	Refunding Series 2015		
	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 430,000	\$ 270,275	\$ 700,275
2021	440,000	258,300	698,300
2022	460,000	244,800	704,800
2023	460,000	229,850	689,850
2024	480,000	213,400	693,400
2025	495,000	196,338	691,338
2026	30,000	187,188	217,188
2027	165,000	184,018	349,018
2028	165,000	178,656	343,656
2029	1,795,000	149,050	1,944,050
2030	1,865,000	94,150	1,959,150
2031	1,920,000	36,175	1,956,175
2032	90,000	4,712	94,712
2033	100,000	1,625	101,625
Totals	\$ 8,895,000	\$ 2,248,537	\$ 11,143,537

**Remington Municipal Utility District No. 1,
of Harris County, Texas**

**Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2019**

Due During Fiscal Years Ending May 31	Refunding Series 2017		
	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 615,000	\$ 151,100	\$ 766,100
2021	625,000	135,575	760,575
2022	640,000	116,600	756,600
2023	670,000	96,950	766,950
2024	690,000	76,550	766,550
2025	705,000	52,100	757,100
2026	315,000	31,700	346,700
2027	315,000	19,100	334,100
2028	320,000	6,400	326,400
Totals	\$ 4,895,000	\$ 686,075	\$ 5,581,075

Remington Municipal Utility District No. 1, of Harris County, Texas

Schedule of Long-term Debt Service Requirements by Years (Continued) May 31, 2019

Due During Fiscal Years Ending May 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 2,640,000	\$ 1,694,131	\$ 4,334,131
2021	2,720,000	1,613,330	4,333,330
2022	2,810,000	1,520,631	4,330,631
2023	2,915,000	1,421,856	4,336,856
2024	3,015,000	1,321,048	4,336,048
2025	3,105,000	1,211,864	4,316,864
2026	3,230,000	1,093,144	4,323,144
2027	3,355,000	966,569	4,321,569
2028	3,485,000	833,069	4,318,069
2029	3,760,000	698,800	4,458,800
2030	3,900,000	563,900	4,463,900
2031	4,030,000	423,025	4,453,025
2032	4,215,000	266,862	4,481,862
2033	4,400,000	91,450	4,491,450
Totals	\$ 47,580,000	\$ 13,719,679	\$ 61,299,679

**Remington Municipal Utility District No. 1,
of Harris County, Texas
Changes in Long-term Bonded Debt
Year Ended May 31, 2019**

	Bond			
	Refunding Series 2010	Refunding Series 2011	Refunding Series 2012	Refunding Series 2013
Interest rates	3.50% to 4.50%	4.00% to 4.25%	2.00% to 4.00%	2.00% to 4.00%
Dates interest payable	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity dates	September 1, 2019/2027	September 1, 2019/2032	September 1, 2019/2032	September 1, 2019/2032
Bonds outstanding, beginning of current year	\$ 890,000	\$ 9,715,000	\$ 9,265,000	\$ 8,060,000
Retirements, principal	595,000	30,000	275,000	415,000
Bonds outstanding, end of current year	<u>\$ 295,000</u>	<u>\$ 9,685,000</u>	<u>\$ 8,990,000</u>	<u>\$ 7,645,000</u>
Interest paid during current year	<u>\$ 24,055</u>	<u>\$ 395,650</u>	<u>\$ 336,338</u>	<u>\$ 296,662</u>

Paying agent's name and address:

Series 2010 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Series 2011 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Series 2012 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Series 2013 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Series 2014 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Series 2015 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Series 2017 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	\$ 88,000,000	0	\$ 49,000,000
Amount issued	\$ 69,850,000	0	\$ 4,830,726 *
Remaining to be issued	\$ 18,150,000	0	\$ 44,169,274

Debt service fund cash and temporary investment balances as of May 31, 2019:

\$ 7,951,621

Average annual debt service payment (principal and interest) for remaining term of all debt:

\$ 4,378,549

*The District has issued \$80,300,000 of refunding bonds; however, of such amount, \$4,830,726 has been applied to the voter-authorized bonds and the remaining \$75,469,274 has been issued pursuant to Chapter 1207 of the Texas Government Code.

Issues

Refunding Series 2014	Refunding Series 2015	Refunding Series 2017	Totals
3.00% to 4.00%	2.00% to 3.50%	2.00% to 4.00%	
September 1/ March 1	September 1/ March 1	September 1/ March 1	
September 1, 2019/2027	September 1, 2019/2032	September 1, 2019/2027	
\$ 7,975,000	\$ 9,315,000	\$ 4,915,000	\$ 50,135,000
<u>800,000</u>	<u>420,000</u>	<u>20,000</u>	<u>2,555,000</u>
<u>\$ 7,175,000</u>	<u>\$ 8,895,000</u>	<u>\$ 4,895,000</u>	<u>\$ 47,580,000</u>
<u>\$ 282,400</u>	<u>\$ 280,900</u>	<u>\$ 157,450</u>	<u>\$ 1,773,455</u>

**Remington Municipal Utility District No. 1,
of Harris County, Texas**
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended May 31,

	Amounts				
	2019	2018	2017	2016	2015
General Fund					
Revenues					
Property taxes	\$ 1,335,090	\$ 846,317	\$ 730,686	\$ 681,454	\$ 1,040,191
City of Houston rebates	68,685	63,889	59,490	37,219	33,722
Water service	1,446,788	1,480,485	1,495,234	1,486,225	1,405,951
Sewer service	1,281,708	1,265,875	1,268,741	1,249,500	1,207,192
Regional water fee	1,527,660	1,457,315	1,401,529	1,309,565	1,093,031
Penalty and interest	86,574	80,609	91,902	96,647	115,390
Tap connection and inspection fees	10,650	92,415	55,253	44,786	156,365
Investment income	120,135	59,243	33,195	25,060	22,065
Other income	168,559	4,644	17,145	4,644	4,644
Total revenues	<u>6,045,849</u>	<u>5,350,792</u>	<u>5,153,175</u>	<u>4,935,100</u>	<u>5,078,551</u>
Expenditures					
Service operations:					
Purchased services	1,717,382	1,609,761	1,621,229	1,546,906	1,400,155
Regional water fee	191,894	252,724	137,492	131,811	46,975
Professional fees	208,173	286,973	290,947	310,897	221,998
Contracted services	1,197,282	1,180,816	1,148,764	1,066,595	1,041,003
Utilities	202,128	200,332	206,929	238,583	247,194
Repairs and maintenance	1,463,536	1,598,216	1,290,848	1,279,970	1,089,336
Other expenditures	99,454	100,495	127,436	105,448	136,003
Tap connections	-	75,505	17,295	11,950	48,900
Capital outlay	384,495	226,749	365,795	546,776	432,777
Total expenditures	<u>5,464,344</u>	<u>5,531,571</u>	<u>5,206,735</u>	<u>5,238,936</u>	<u>4,664,341</u>
Excess (Deficiency) of Revenues Over Expenditures	581,505	(180,779)	(53,560)	(303,836)	414,210
Fund Balance, Beginning of Year	<u>5,858,267</u>	<u>6,039,046</u>	<u>6,092,606</u>	<u>6,396,442</u>	<u>5,982,232</u>
Fund Balance, End of Year	<u>\$ 6,439,772</u>	<u>\$ 5,858,267</u>	<u>\$ 6,039,046</u>	<u>\$ 6,092,606</u>	<u>\$ 6,396,442</u>
Total Active Retail Water Connections	<u>4,454</u>	<u>4,457</u>	<u>4,450</u>	<u>4,431</u>	<u>4,436</u>
Total Active Retail Wastewater Connections	<u>4,394</u>	<u>4,394</u>	<u>4,390</u>	<u>4,376</u>	<u>4,382</u>

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
22.1 %	15.8 %	14.2 %	13.8 %	20.5 %
1.1	1.2	1.2	0.8	0.6
23.9	27.7	29.0	30.1	27.7
21.2	23.7	24.6	25.3	23.8
25.3	27.2	27.2	26.5	21.5
1.4	1.5	1.8	2.0	2.3
0.2	1.7	1.1	0.9	3.1
2.0	1.1	0.6	0.5	0.4
2.8	0.1	0.3	0.1	0.1
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
28.4	30.1	31.5	31.4	27.6
3.2	4.7	2.7	2.7	0.9
3.5	5.4	5.6	6.3	4.4
19.8	22.1	22.3	21.6	20.5
3.3	3.7	4.0	4.8	4.9
24.2	29.9	25.0	25.9	21.4
1.6	1.9	2.5	2.1	2.7
-	1.4	0.3	0.2	0.9
6.4	4.2	7.1	11.1	8.5
<u>90.4</u>	<u>103.4</u>	<u>101.0</u>	<u>106.1</u>	<u>91.8</u>
<u><u>9.6 %</u></u>	<u><u>(3.4) %</u></u>	<u><u>(1.0) %</u></u>	<u><u>(6.1) %</u></u>	<u><u>8.2 %</u></u>

**Remington Municipal Utility District No. 1,
of Harris County, Texas**

Comparative Schedule of Revenues and Expenditures – Debt Service Fund

Five Years Ended May 31,

	Amounts				
	2019	2018	2017	2016	2015
Debt Service Fund					
Revenues					
Property taxes	\$ 4,185,607	\$ 4,236,871	\$ 4,277,018	\$ 4,330,428	\$ 3,868,289
Penalty and interest	36,148	28,743	41,374	37,331	32,839
Investment income	138,903	70,051	34,366	19,170	14,807
Other income	87	45	40	23	57,184
Total revenues	<u>4,360,745</u>	<u>4,335,710</u>	<u>4,352,798</u>	<u>4,386,952</u>	<u>3,973,119</u>
Expenditures					
Current:					
Professional fees	9,172	9,252	13,130	11,655	9,863
Contracted services	93,067	90,626	90,739	91,950	90,360
Other expenditures	11,828	11,599	10,693	10,667	10,958
Debt service:					
Principal retirement	2,555,000	2,190,000	2,115,000	2,165,000	2,080,000
Interest and fees	1,777,955	1,850,617	1,967,089	2,046,686	2,017,028
Debt defeasance	-	-	-	-	17,500
Debt issuance costs	-	1,182	186,111	1,193	341,197
Total expenditures	<u>4,447,022</u>	<u>4,153,276</u>	<u>4,382,762</u>	<u>4,327,151</u>	<u>4,566,906</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(86,277)</u>	<u>182,434</u>	<u>(29,964)</u>	<u>59,801</u>	<u>(593,787)</u>
Other Financing Sources (Uses)					
Payments to escrow agent	-	-	(5,017,203)	-	(9,336,546)
Premium on debt issued	-	-	294,613	-	133,003
General obligation bonds issued	-	-	4,915,000	-	9,550,000
Total other financing sources	<u>0</u>	<u>0</u>	<u>192,410</u>	<u>0</u>	<u>346,457</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(86,277)</u>	<u>182,434</u>	<u>162,446</u>	<u>59,801</u>	<u>(247,330)</u>
Fund Balance, Beginning of Year	<u>7,961,869</u>	<u>7,779,435</u>	<u>7,616,989</u>	<u>7,557,188</u>	<u>7,804,518</u>
Fund Balance, End of Year	<u>\$ 7,875,592</u>	<u>\$ 7,961,869</u>	<u>\$ 7,779,435</u>	<u>\$ 7,616,989</u>	<u>\$ 7,557,188</u>

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
96.0 %	97.7 %	98.3 %	98.7 %	97.3 %
0.8	0.7	0.9	0.9	0.9
3.2	1.6	0.8	0.4	0.4
0.0	0.0	0.0	0.0	1.4
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.2	0.2	0.3	0.3	0.2
2.1	2.1	2.1	2.1	2.3
0.3	0.3	0.2	0.2	0.3
58.6	50.5	48.6	49.4	52.3
40.8	42.7	45.2	46.7	50.8
-	-	-	-	0.4
-	0.0	4.3	0.0	8.6
<u>102.0</u>	<u>95.8</u>	<u>100.7</u>	<u>98.7</u>	<u>114.9</u>
<u><u>(2.0) %</u></u>	<u><u>4.2 %</u></u>	<u><u>(0.7) %</u></u>	<u><u>1.3 %</u></u>	<u><u>(14.9) %</u></u>

**Remington Municipal Utility District No. 1,
of Harris County, Texas
Board Members, Key Personnel and Consultants
Year Ended May 31, 2019**

Complete District mailing address:	Remington Municipal Utility District No. 1, of Harris County, Texas c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056
District business telephone number:	713.623.4531
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	December 8, 2018
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Timothy Kearns	Elected 05/16- 05/20	\$ 2,700	\$ 2,763	President
Gabriel Garcia	Appointed 08/16- 05/20	1,800	1,209	Vice President
Boyd Shepherd	Elected 05/18- 05/22	1,650	270	Secretary
Timothy B. Hardin	Appointed 04/18- 05/20	1,800	13	Assistant Secretary
Richard Cannon	Appointed 09/18- 05/22	1,350	122	Assistant Secretary
Vernon Elmore	Elected 05/18- 08/18	0	0	Resigned

*Fees are the amounts actually paid to a director during the District's fiscal year.

**Remington Municipal Utility District No. 1,
of Harris County, Texas**
Board Members, Key Personnel and Consultants (Continued)
Year Ended May 31, 2019

Consultants	Date Hired	Fees and Expense Reimbursements	Title
B&A Municipal Tax Service, LLC	10/26/11	\$ 67,354	Tax Assessor/ Collector
BKD, LLP	09/22/99	20,700	Auditor
Harris County Appraisal District	Legislative Action	38,986	Appraiser
Inframark, LLC	12/10/86	1,293,369	Operator
Municipal Accounts & Consulting, L.P.	04/23/03	40,072	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	02/28/01	9,172	Delinquent Tax Attorney
Rathmann & Associates, L.P.	04/23/03	0	Financial Advisor
Sander Engineering Corporation	12/10/86	163,881	Engineer
Schwartz, Page & Harding, L.L.P.	12/10/86	77,303	Attorney
Investment Officers			
Mark M. Burton and Ghia Lewis	07/28/04	N/A	Bookkeepers

APPENDIX C

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY



**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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

