

OFFICIAL STATEMENT DATED JULY 21, 2020

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

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

NEW ISSUE - Book Entry Only

Ratings: Moody's Investor's Service, Inc. (Underlying) "A2"
Moody's Investor's Service, Inc. (AGM Insured) "A2"
S&P Global Ratings (AGM Insured) "AA"
See "MUNICIPAL BOND INSURANCE" and "RATINGS"

OAKMONT PUBLIC UTILITY DISTRICT

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

\$2,600,000

**Unlimited Tax Refunding Bonds
Series 2020**

Interest accrues from: August 1, 2020

Due: March 1, as shown on inside cover

The \$2,600,000 Oakmont Public Utility District Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds") are obligations of Oakmont Public Utility District (the "District") and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; Harris County, Texas; the City of Houston, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable to the registered owners of the Bonds (the "Bondholder(s)") at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. Interest on the Bonds will accrue from August 1, 2020, and is payable on March 1, 2021, and each September 1 and March 1 thereafter to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date (the "Record Date"). Unless otherwise agreed between the Paying Agent/Registrar and a Bondholder, such interest is payable by check mailed to such persons or by other means acceptable to such persons and the Paying Agent/Registrar. The Bonds are issuable in denominations of \$5,000 of principal amount or any integral multiple thereof in fully registered form only.

The Bonds will be initially registered and delivered only to Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by Regions Bank, an Alabama state banking corporation, Houston, Texas, or any successor Paying Agent/Registrar (the "Paying Agent/Registrar") directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System."

See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on inside cover.

The proceeds of the Bonds, together with lawfully available funds of the District, if any, will be applied to pay certain costs incurred in connection with the issuance of the Bonds and to refund \$2,485,000 in principal amount (the "Refunded Bonds") of the District's \$3,360,000 Unlimited Tax Bonds, Series 2011 and \$3,160,000 Unlimited Tax Bonds, Series 2012. The refunding of the Refunded Bonds will result in an annual and net present value savings in the District's current annual debt service requirements. See "PLAN OF FINANCING."

The Bonds, when issued, will be payable from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property within the District.

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.**



The Bonds are offered when, as and if issued by the District and accepted by the underwriter listed below (the "Underwriter"), subject among other things to the approval of the initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Coats Rose, P.C., Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Underwriter's Counsel. The Bonds in definitive form are expected to be available for delivery through DTC on or about August 26, 2020. See "LEGAL MATTERS."

SAMCO CAPITAL

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$2,600,000 Unlimited Tax Refunding Bonds, Series 2020

\$570,000 Serial Bonds

| Maturity (March 1) | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP No. 67381P (b) | Maturity (March 1) | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP No. 67381P (b) |
|-----------------------|---------------------|------------------|------------------------------------|-------------------------|-----------------------|---------------------|------------------|------------------------------------|-------------------------|
| 2021 | \$ 40,000 | 4.000% | 0.670% | ME9 | 2024 | \$125,000 | 4.000% | 0.900% | MH2 |
| 2022 | 260,000 | 4.000% | 0.710% | MF6 | 2025 | 135,000 | 4.000% | 0.980% | MJ8 |
| 2023 | 10,000 | 4.000% | 0.800% | MG4 | | | | | |

\$2,030,000 Term Bonds

\$290,000 Term Bond due March 1, 2027 (c)(d) Interest Rate: 2.000% (Price: \$103.237) (a) CUSIP No. 67381P ML3 (b)

\$305,000 Term Bond due March 1, 2029 (c)(d) Interest Rate: 2.000% (Price: \$102.174) (a) CUSIP No. 67381P MN9 (b)

\$325,000 Term Bond due March 1, 2031 (c)(d) Interest Rate: 2.000% (Price: \$101.516) (a) CUSIP No. 67381P MQ2 (b)

\$720,000 Term Bond due March 1, 2035 (c)(d) Interest Rate: 2.000% (Price: \$100.560) (a) CUSIP No. 67381P MU3 (b)

\$390,000 Term Bond due March 1, 2037 (c)(d) Interest Rate: 2.000% (Price: \$99.302) (a) CUSIP No. 67381P MW9 (b)

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to this issue by the CUSIP Global Services, managed by S&P Global Market Intelligence LLC on behalf of the American Bankers Association. None of the District, the Financial Advisor (herein defined) or the Underwriter shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.
- (c) Bonds maturing on March 1, 2026, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on March 1, 2025, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. In addition, the Underwriter may designate one or more maturities as term bonds. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*."
- (d) Subject to mandatory redemption as provided under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Coats Rose, P.C., 9 Greenway Plaza, Suite 1100, Houston, Texas 77046, 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 as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this "Official Statement" nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the 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, other matters described in the "Official Statement" until delivery of the Bonds to the Underwriter, and thereafter only as specified in "OFFICIAL STATEMENT - Updating the Official Statement."

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

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, United States Securities and Exchange Commission Rule 15c2-12.

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SALE AND DISTRIBUTION OF THE BONDS

Underwriting

SAMCO Capital Markets (referred to herein as the "Underwriter") has agreed to purchase the Bonds from the District for \$2,639,912.78 (being the par amount of the Bonds, plus a net original issue premium on the Bonds of \$67,918.80, and less an underwriter's discount of \$28,006.02), plus accrued interest on the Bonds to the date of delivery. The Underwriter's obligation is to purchase all of the Bonds, if any Bonds are purchased.

Prices and Marketability

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

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

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 jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

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

Miscellaneous Matters

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

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned an underlying credit rating of "A2" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The Bonds are expected to receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. 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 rating). The 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 such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

The Bonds are expected to receive an insured rating of "A2" from Moody's solely in reliance upon the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Bonds. Moody's has also assigned an underlying credit rating of "Baa3 (stable outlook)" to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by Moody's, if, in its judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned to the Bonds other than the insured rating of S&P, the insured rating of Moody's, or the underlying rating of Moody's.

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

| | |
|------------------------------|---|
| The District | Oakmont Public Utility District (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT." |
| The Bonds..... | <p>The District's \$2,600,000 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds"), are dated August 1, 2020, and mature on March 1 in the years and in the principal amounts as shown on the inside cover page hereof.</p> <p>Interest on the Bonds accrues from August 1, 2020, at the rates set forth on the inside cover page hereof and is payable March 1, 2021, and each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. See "THE BONDS."</p> |
| Redemption of the Bonds..... | <p>The Bonds that mature on and after March 1, 2026, are subject to redemption, in whole or from time to time in part, on March 1, 2025, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS - Redemption of the Bonds - <i>Optional Redemption.</i>"</p> <p>The Bonds maturing on March 1, 2021, through March 1, 2025, inclusive, are serial bonds. The Bonds maturing on March 1 in the years 2027, 2029, 2031, 2035, and 2037 are term bonds (the "Term Bonds), which have certain mandatory redemption provisions set out herein under "THE BONDS - Redemption of the Bonds - <i>Mandatory Redemption.</i>"</p> |
| Book-Entry-Only System..... | The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined) thereof. Principal of and interest on the Bonds will be payable by Regions Bank, an Alabama state banking corporation, Houston, Texas (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS - Book-Entry-Only System." |
| Authority for Issuance..... | <p>The Bonds are the fourteenth series of bonds to be issued by the District out of \$50,000,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing water, sewer and drainage facilities to serve the District (the "System"); \$10,000,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing parks and recreation; and \$49,980,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of refunding the bonds issued by the District for the System. Following issuance of the Bonds, \$16,680,000 principal amount of unlimited tax bonds for the System; \$7,530,000 principal amount of unlimited tax bonds for parks and recreation; and \$48,555,000 principal amount of unlimited tax bonds for the purpose of refunding the System will remain authorized but unissued.</p> <p>The Bonds are issued pursuant to (i) an order adopted by the Board of Directors of the District (the "Bond Order"), (ii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code and Chapter 1207 of the Texas Government Code, as amended, (iii) City of Houston Ordinance No. 97-416, and (iv) an election held within the District on February 7, 2004.</p> |
| Source of Payment | Principal of and interest on the Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. |

The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, Texas, or any entity other than the District. See “THE BONDS – Source of Payment.”

| | |
|---------------------------------------|---|
| Payment Record..... | The District has never defaulted on the timely payment of principal and interest on its prior bonded indebtedness. |
| Plan of Financing..... | The proceeds of the Bonds will be used to pay issuance costs of the Bonds and to refund \$2,485,000 in principal amount of the Unlimited Tax Bonds, Series 2011 and Unlimited Tax Bonds, Series 2012 (the “Refunded Bonds”). The refunding of the Refunded Bonds will result in an annual and net present value savings in the District’s current annual debt service requirements. See “PLAN OF FINANCING.” |
| 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 (the “Code”), and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by the District during calendar year 2020 is not reasonably expected to exceed \$10,000,000. See “QUALIFIED TAX-EXEMPT OBLIGATIONS.” |
| Remaining Outstanding Bonds..... | The District has previously issued: \$3,820,000 Unlimited Tax Bonds, Series 2010; \$3,360,000 Unlimited Tax Bonds, Series 2011; \$3,160,000 Unlimited Tax Bonds, Series 2012; \$1,620,000 Unlimited Tax Bonds, Series 2013; \$6,720,000 Unlimited Tax Refunding Bonds, Series 2014; \$2,470,000 Unlimited Tax Park Bonds, Series 2014; \$4,835,000 Unlimited Tax Refunding Bonds, Series 2014A; \$7,095,000 Unlimited Tax Refunding Bonds, Series 2015; and \$4,935,000 Unlimited Tax Refunding Bonds, Series 2016 of which an aggregate of \$25,715,000 principal amount are currently outstanding (the “Outstanding Bonds”). Following the issuance of the Bonds, \$23,230,000 in principal amount of Outstanding Bonds will remain outstanding (the “Remaining Outstanding Bonds”). See “THE BONDS – Remaining Outstanding Bonds.” |
| Municipal Bond Insurance..... | Assured Guaranty Municipal Corp. (“AGM”). See “MUNICIPAL BOND INSURANCE.” |
| Ratings..... | S&P Global Ratings (AGM Insured): “AA.” Moody’s Investors Service, Inc. (AGM Insured): “A2.” Moody’s Investors Service, Inc. (Underlying): “A2.” See “RATINGS” above. |
| Legal Opinion..... | Coats Rose, P.C., Houston, Texas, Bond Counsel. See “LEGAL MATTERS.” |
| Underwriter’s Counsel..... | McCall, Parkhurst & Horton L.L.P., Houston, Texas. |
| Financial Advisor..... | Robert W. Baird & Co. Incorporated, Houston, Texas. |
| Paying Agent..... | Regions Bank, an Alabama state banking corporation, Houston, Texas. |
| Engineer..... | Jones & Carter, Inc., Houston, Texas. |
| Verification Agent..... | Robert Thomas CPA, Minneapolis, Minnesota. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.” |

THE DISTRICT

| | |
|------------------|---|
| Description..... | Oakmont Public Utility District, a political subdivision of the State of Texas, is located wholly within Harris County, approximately 25 miles north of Houston’s central business district, approximately 5 miles west of Interstate Highway 45 (IH45), and approximately 1 mile south of Spring Creek and just north of Willow Creek. All of the land within the District is within the exclusive extraterritorial jurisdiction (the “ETJ”) of the City of Houston and is located within Klein Independent School District. The District contains approximately 469 acres. See “THE DISTRICT – General, and - Description.” |
| Authority..... | The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT – General.” |

Status of Development..... Approximately 377 acres (1,147 lots) within the District has been developed as the single-family residential subdivisions of Village of Auburn Lakes, Sections 1 and 2; Auburn Lakes Estates, Sections 1 and 2; Auburn Lakes Retreat, Sections 1, 2, 3, 4 and 5; Auburn Lakes Reserve, Sections 1, 2, 3, 4 and 5; Auburn Lakes Pines, Sections 1, 2, 3, 4 and 5. To date, all residential sections have been developed and built out. Approximately 1.5 acres in the District have been developed with a 13,350 square foot office building and approximately 91 acres are not developable. Average home values in the District range from \$275,000 to \$800,000. See "STATUS OF DEVELOPMENT IN THE DISTRICT."

INFECTIOUS DISEASE OUTLOOK – COVID-19

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 the State. 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 State Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in the State (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.

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 the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. In addition to the actions by the State and federal officials, certain local officials have declared a local state of disaster. Many of the federal, State and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which negatively affects the operation of businesses and the State and national economies.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within the State. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. The State 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 operations and maintenance expenses payable from ad valorem taxes.

The District continues to monitor the spread of COVID-19 and the potential impact of COVID-19 on the District. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are

the latest available but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition.

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

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**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

| | |
|--|--------------------------|
| 2019 Assessed Valuation | \$ 442,981,675 (a) |
| 2020 Preliminary Valuation | \$ 466,264,327 (b) |
| Direct Debt: | |
| The Remaining Outstanding Bonds | \$ 23,230,000 |
| The Bonds | <u>2,600,000</u> |
| Total | \$ 25,830,000 |
| Estimated Overlapping Debt | <u>\$ 25,401,826 (c)</u> |
| Total Direct and Estimated Overlapping Debt | <u>\$ 51,231,826</u> |
| Direct Debt Ratios: | |
| As a percentage of 2019 Assessed Valuation | 5.83 % |
| As a percentage of the 2020 Preliminary Valuation | 5.54 % |
| Direct and Estimated Overlapping Debt Ratios: | |
| As a percentage of 2019 Assessed Valuation | 11.57 % |
| As a percentage of the 2020 Preliminary Valuation | 10.99 % |
| Debt Service Fund Balance (as of June 11, 2020) | \$ 2,335,485 (d) |
| General Operating Fund Balance (as of June 11, 2020) | \$ 5,142,661 |
| Capital Projects Fund Balance (as of June 11, 2020) | \$ 12,170 |
| Park Capital Projects Fund Balance (as of June 11, 2020) | \$ 60,042 |
| Recreational Facilities Fund Balance (as of June 11, 2020) | \$ 856,718 |
| 2019 Tax Rate per \$100 of Assessed Valuation | |
| Debt Service | \$0.550 |
| Maintenance & Operation | <u>0.310 (e)</u> |
| Total | \$0.860 |
| Average Annual Debt Service Requirements on the Remaining | |
| Outstanding Bonds and the Bonds (2020-2038) | \$ 1,731,734 (f) |
| Maximum Annual Debt Service Requirement on the Remaining | |
| Outstanding Bonds and the Bonds (2030) | \$ 2,503,422 (f) |
| Tax Rate per \$100 of Assessed Valuation Required to Pay Average | |
| Annual Debt Service Requirements on the Remaining Outstanding | |
| Bonds and the Bonds (2020-2038) at 95% Tax Collections: | |
| Based Upon the 2019 Assessed Valuation (\$442,981,675) | \$0.42 |
| Based Upon the 2020 Preliminary Valuation (\$466,264,327) | \$0.40 |
| Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum | |
| Annual Debt Service Requirements on the Remaining Outstanding | |
| Bonds and the Bonds (2030) at 95% Tax Collections: | |
| Based Upon the 2019 Assessed Valuation (\$442,981,675) | \$0.60 |
| Based Upon the 2020 Preliminary Valuation (\$466,264,327) | \$0.57 |

- (a) As certified by the Harris County Appraisal District (the "HCAD"). See "TAXING PROCEDURES."
- (b) Provided by HCAD as the preliminary value on January 1, 2020. The preliminary value excludes personal property. No taxes will be levied on this preliminary value. The value will be certified by the Appraisal Review Board and taxes will be levied on the certified value. See "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Estimated Overlapping Debt."
- (d) Neither Texas law nor the Bond Order (hereinafter defined) requires that the District maintain any particular sum in the Debt Service Fund.
- (e) The District reserves \$0.10 of its maintenance and operations tax for parks and recreations purposes.
- (f) See "DISTRICT DEBT – Debt Service Requirements."

OFFICIAL STATEMENT

relating to

OAKMONT PUBLIC UTILITY DISTRICT
(A political subdivision of the State of Texas, located within Harris County)

\$2,600,000
Unlimited Tax Refunding Bonds
Series 2020

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Oakmont Public Utility District (the "District") of its \$2,600,000 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds") and the sale of the Bonds to the underwriter listed on the cover of this Official Statement, SAMCO Capital Markets, Inc. (the "Underwriter").

The Bonds are issued pursuant to (i) an order adopted by the Board of Directors of the District (the "Bond Order"), (ii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code and Chapter 1207 of the Texas Government Code, as amended, (iii) City of Houston Ordinance No. 97-416, and (iv) an election held within the District on February 7, 2004.

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order (herein defined), except as otherwise indicated herein.

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive, or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the order of the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds. In the order, the Board delegated pricing of the Bonds and certain other matters to a pricing officer who will approve a pricing certificate which will contain final pricing information for the Bonds (the order and the pricing certificate are collectively referred to herein as the "Bond Order"). A copy of the Bond Order may be obtained from the District upon request to Bond Counsel. The Bond Order authorizes the issuance and sale of the Bonds to the Underwriter and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will mature on March 1 of the years and in principal amounts, and will bear interest from August 1, 2020, at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable March 1, 2021, and semiannually thereafter on each September 1 and March 1 until maturity or redemption.

The Bonds will be issued only in fully registered form in any integral multiples of \$5,000 for any one maturity and will be initially 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-only system described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by Regions Bank, an Alabama state banking corporation, Houston, Texas (the "Paying Agent/Registrar"), the Paying Agent/Registrar to Cede & Co., as registered owner. DTC will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."

In the event the Book-Entry-Only System is discontinued and physical bond certificates issued, interest on the Bonds shall be payable by check mailed by the Paying Agent/Registrar on or before each interest payment date, to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owner at the risk and expense of such Registered Owner.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day without additional interest and with the same force and effect as if made on the specified date for such payment.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee's 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 Underwriter believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

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 required by an authorized representative of DTC. One fully-registered Security certificate will be issued for each of the Bonds, each 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 rating of AA+ from S&P Global Ratings. 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 purchase of each Security (“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

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

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

Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the District or 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, Agent or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

Paying Agent/Registrar

The Board has selected Regions Bank, an Alabama state banking corporation, Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The initial designated payment office for the Bonds is located in Houston, Texas. Provision is made in the Bond Order for removal of the Paying Agent/Registrar, provided that no such removal shall be effective until a successor paying agent/registrar shall have accepted the duties of the Paying Agent/Registrar under the provisions of the Bond Order. Any successor paying agent/registrar selected by the District shall be a corporation organized and doing business under the laws of the United States of America or of any state authorized under such laws to exercise trust powers, shall have a combined capital and surplus of at least \$50,000,000, shall be subject to supervision or examination by federal or state authority, shall be registered as a transfer agent with the Securities and Exchange Commission and shall have a corporate trust office in the State of Texas.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar will keep the register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar will provide for the registration and transfer of Bonds in accordance with the Bond Order. While the Bonds are in the Book-Entry- Only system, Bonds will be registered in the name of Cede & Co. and will not be transferred. See "Book-Entry- Only System."

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity which they determine to be sufficient to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

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Authority for Issuance

The bonds authorized by the resident electors of the District, the amount of bonds issued and the remaining authorized but unissued bonds following the issuance of the Bonds are as follows:

| <u>Election Date</u> | <u>Purpose</u> | <u>Amount Authorized</u> | <u>Issued to Date</u> | <u>The Bonds</u> | <u>Remaining</u> |
|----------------------|--|--------------------------|-----------------------|------------------|------------------|
| February 7, 2004 | Water, Sewer, Drainage | \$ 50,000,000 | \$ 33,320,000 | - | \$ 16,680,000 |
| February 7, 2004 | Refunding of Water, Sewer and Drainage (a) | \$ 49,980,000 | \$ 1,310,000 | \$ 115,000 (b) | \$ 48,555,000 |
| February 7, 2004 | Parks and Recreational Facilities | \$ 10,000,000 | \$ 2,470,000 | - | \$ 7,530,000 |

(a) Refunding bonds were authorized in an amount not in excess of one and one-half times the amount of such bonds or other indebtedness previously issued by the District for water, sewer and drainage purposes.

(b) Includes the Bonds. Calculated as the principal amount of the Bonds minus the principal amount of the Refunded Bonds.

The Bonds are issued pursuant to (i) an order adopted by the Board of Directors of the District (the "Bond Order"), (ii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code and Chapter 1207 of the Texas Government Code, as amended, (iii) City of Houston Ordinance No. 97-416, and (iv) an election held within the District on February 7, 2004.

Source of Payment

The Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax levied without legal limitation as to rate or amount against all taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the District's Debt Service Fund and used to pay principal of and interest on the Bonds and on any additional bonds payable from taxes which may hereafter be issued by the District.

Redemption of the Bonds

Optional Redemption

Bonds maturing on March 1, 2026, and thereafter shall be subject to redemption at the option of the District, in whole or from time to time in part, on March 1, 2025, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the registered owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The registered owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The Bonds maturing on March 1 in the years 2027, 2029, 2031, 2035 and 2037 (the "Term Bonds") are also subject to mandatory sinking fund redemption by the District by lot or other customary method of random selection prior to scheduled maturity on March 1 in the years ("Mandatory Redemption Dates") and in the amounts set forth below at a redemption price of par plus accrued interest to the date of redemption.

\$290,000 Term Bonds Maturing on March 1, 2027

| <u>Mandatory Redemption Date</u> | <u>Principal Amount</u> |
|----------------------------------|-------------------------|
| March 1, 2026 | \$145,000 |
| March 1, 2027 (Maturity) | \$145,000 |

\$305,000 Term Bonds Maturing on March 1, 2029

| <u>Mandatory Redemption Date</u> | <u>Principal Amount</u> |
|----------------------------------|-------------------------|
| March 1, 2028 | \$150,000 |
| March 1, 2029 (Maturity) | \$155,000 |

\$325,000 Term Bonds Maturing on March 1, 2031

| <u>Mandatory Redemption Date</u> | <u>Principal Amount</u> |
|----------------------------------|-------------------------|
| March 1, 2030 | \$160,000 |
| March 1, 2031 (Maturity) | \$165,000 |

\$720,000 Term Bonds Maturing on March 1, 2035

| <u>Mandatory Redemption Date</u> | <u>Principal Amount</u> |
|----------------------------------|-------------------------|
| March 1, 2032 | \$175,000 |
| March 1, 2033 | \$175,000 |
| March 1, 2034 | \$185,000 |
| March 1, 2035 (Maturity) | \$185,000 |

\$390,000 Term Bonds Maturing on March 1, 2037

| <u>Mandatory Redemption Date</u> | <u>Principal Amount</u> |
|----------------------------------|-------------------------|
| March 1, 2036 | \$190,000 |
| March 1, 2037 (Maturity) | \$200,000 |

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

Annexation

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

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

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater system of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation.

Strategic Partnership Agreement with City of Houston

The District is authorized to enter into a strategic partnership agreement with the City to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District, or any portion thereof, were to be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for limitations on the timing of annexation of the District by the City, the continuation of the District as a limited district following general purpose annexation by the City, the conversion of a limited purpose annexation to a general purpose annexation, or the payment of a fee in lieu of annexation to be derived from residential property within the District based on the costs of providing municipal services to the District. The City has negotiated and entered into strategic partnership with several other districts in its extraterritorial jurisdiction. Nothing herein is intended to imply that the District and the City will ever enter into such an agreement, nor has the City approached the District concerning such an agreement.

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 now or hereafter 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 or payment (paying agent) for obligations of the District payable from ad valorem taxes, amounts sufficient to provide for 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. In the Bond Order, the District has specifically reserved the right to call the Bonds for redemption after the defeasance thereof.

Issuance of Additional Debt

The District may issue additional bonds with the approval necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$50,000,000 principal amount of unlimited tax bonds for the District's water, sanitary sewer and drainage system (the "System"); \$10,000,000 principal amount of unlimited tax bonds for parks and recreational facilities, and could authorize additional amounts; and \$49,980,000 principal amount of unlimited tax bonds for water, sanitary sewer and drainage system refunding bonds. The District has previously issued eight series of unlimited tax bonds issued by the District for the purpose of acquiring, constructing, owning, operating, repairing, improving or extending the water, sanitary sewer and drainage facilities to serve the land within the District. The Bonds are the fifth series of refunding bonds being issued for refunding purposes. The District has issued one series of bonds to finance parks and recreational facilities. Following the issuance of the Bonds, \$16,680,000 principal amount of unlimited tax bonds for the District's System, \$48,555,000 principal amount of unlimited tax bonds for water, sanitary sewer and drainage system refunding bonds and \$7,530,000 principal amount of unlimited tax bonds for parks and recreational facilities will remain authorized but unissued. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board). See "INVESTMENT CONSIDERATIONS – Future Debt."

Additional tax bonds may be authorized by District's voters in the future. The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the waterworks and sewer system therefore and to issue bond anticipation notes and tax anticipation notes.

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

Financing Recreational Facilities

On September 13, 2003, an amendment to the Texas Constitution was adopted that authorized conservation and reclamation districts, such as the District, in certain counties to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve a maintenance tax to support recreational facilities and/or the issuance of bonds payable from taxes.

The Texas Legislature enacted legislation, effective September 13, 2003, allowing the District to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed \$0.10 per \$100 of assessed valuation of taxable property within the District, after such tax is approved at an election. On February 7, 2004, the District voters approved an ad valorem tax not to exceed \$0.10 for recreational facilities. The District has implemented such tax.

In addition, the District is authorized to issue bonds payable from ad valorem taxes to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) 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, (iii) the District obtains any necessary governmental consents allowing the issuance of such bonds; and (iv) the bonds are approved by the Attorney General of Texas. The issuance of such bonds is subject to rules and regulations to be adopted by the Texas Commission on Environmental Quality ("TCEQ").

At an election held on February 7, 2004, the District voters authorized the issuance of \$10,000,000 of bonds for parks and recreational purposes payable from ad valorem taxes. The District may issue bonds from such authorization subject to compliance with the TCEQ rules and obtaining the consent of the City. The District has issued one series of bonds to finance parks and recreational facilities.

Amendments to the Bond Order

The District may, without the consent of or notice to any Registered Owners, amend the Bond Order in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Order, provided that, without the consent of the Registered Owners of all of the Bonds affected, and provided that it has not failed to make a timely payment of principal of or interest on the Bonds, no such amendment, addition or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, the redemption price thereof, or the rate of interest thereon, change the place or places at, or the coin or currency in which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) modify any of the provisions of the Bond Order relating to the amendment thereof, except to increase any percentage provided thereby or to provide that certain other provisions of the Bond Order cannot be modified or waived without the consent of the holder of each Bond affected thereby. In addition, a state, consistent with federal law, may, in the exercise of its police power, make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

Registered Owners' Remedies

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 observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond 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 defaults and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by Texas legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights and creditors of political subdivisions, such as the District.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is an excerpt 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.

PLAN OF FINANCING

Use of Proceeds

The proceeds from the sale of the Bonds will be applied to currently refund \$2,485,000 in principal amount (the “Refunded Bonds”) of the District’s \$3,360,000 Unlimited Tax Bonds, Series 2011 (the “Series 2011 Bonds”) and \$3,160,000 Unlimited Tax Bonds, Series 2012 (the “2012 Bonds”). In addition, a portion of the proceeds of the Bonds will be used to pay the costs of issuance of the Bonds.

The Refunded Bonds

The principal amounts and maturity dates of the Refunded Bonds are set forth as follows:

| Series 2011 Bonds | | Series 2012 Bonds | |
|---------------------|------------------|---------------------|------------------|
| Principal Amount | Maturity Date | Principal Amount | Maturity Date |
| \$ 145,000 | 3-1-2022 | \$ 105,000 | 3-1-2022 |
| | | 115,000 | 3-1-2024 |
| | | 125,000 | 3-1-2025 |
| | | 130,000 | 3-1-2026 |
| | | 135,000 | 3-1-2027 |
| | | 140,000 | 3-1-2028 |
| | | 145,000 | 3-1-2029 |
| | | 155,000 | 3-1-2030 |
| | | 160,000 | 3-1-2031 |
| | | 170,000 | 3-1-2032 |
| | | 175,000 | 3-1-2033 |
| | | 185,000 | 3-1-2034 |
| | | 190,000 | 3-1-2035 |
| | | 200,000 | 3-1-2036 |
| | | 210,000 | 3-1-2037 |

Total Principal Amount of the Refunded Bonds: \$2,485,000

Redemption Date: August 26, 2020

Remaining Outstanding Bonds

The District has previously issued: \$3,820,000 Unlimited Tax Bonds, Series 2010; \$3,360,000 Unlimited Tax Bonds, Series 2011; \$3,160,000 Unlimited Tax Bonds, Series 2012; \$1,620,000 Unlimited Tax Bonds, Series 2013; \$6,720,000 Unlimited Tax Refunding Bonds, Series 2014; \$2,470,000 Unlimited Tax Park Bonds, Series 2014; \$4,835,000 Unlimited Tax Refunding Bonds, Series 2014A; \$7,095,000 Unlimited Tax Refunding Bonds, Series 2015; and \$4,935,000 Unlimited Tax Refunding Bonds, Series 2016. As of July 1, 2020, the following bonds are outstanding:

| | Original Principal Amount | Principal Currently Outstanding | Less: Refunded Bonds | Remaining Outstanding Bonds |
|------------------------------|---------------------------------|---------------------------------------|----------------------------|-----------------------------------|
| Series 2010 Bonds | 3,820,000 | 165,000 | - | 165,000 |
| Series 2011 Bonds | 3,360,000 | 280,000 | 145,000 | 135,000 |
| Series 2012 Bonds | 3,160,000 | 2,555,000 | 2,340,000 | 215,000 |
| Series 2013 Bonds | 1,620,000 | 1,355,000 | - | 1,355,000 |
| Series 2014 Refunding Bonds | 6,720,000 | 5,045,000 | - | 5,045,000 |
| Series 2014 Park Bonds | 2,470,000 | 2,055,000 | - | 2,055,000 |
| Series 2014A Refunding Bonds | 4,835,000 | 3,595,000 | - | 3,595,000 |
| Series 2015 Refunding Bonds | 7,095,000 | 6,050,000 | - | 6,050,000 |
| Series 2016 Refunding Bonds | 4,935,000 | 4,615,000 | - | 4,615,000 |
| | <u>\$ 38,015,000</u> | <u>\$ 25,715,000</u> | <u>\$ 2,485,000</u> | <u>\$ 23,230,000</u> |

Payment of Refunded Bonds

The Refunded Bonds, and the interest due thereon, are to be paid on the redemption date from funds to be deposited with Wells Fargo Bank, N.A., Minneapolis, Minnesota, as paying agent for the Series 2011 Refunded Bonds (the "Paying Agent for the Series 2011 Refunded Bonds"), and Regions Bank, Houston, Texas an Alabama banking corporation, as paying agent for the Series 2012 Refunded Bonds (the "Paying Agent for the Series 2012 Refunded Bonds"; collectively referred to as the "Paying Agents for the Refunded Bonds").

The Bond Order provides that from the proceeds of the sale of the Bonds, the District will deposit with the Paying Agents for the Refunded Bonds the amount necessary to accomplish the discharge and final payment of the Refunded Bonds (the "Refunding Deposit"). Such funds will be held by the Paying Agents for the Refunded Bonds in the Debt Service Fund for the Refunded Bonds. At the time of delivery of the Bonds, Robert Thomas CPA, LLC, will verify to the District, the Paying Agents for the Refunded Bonds, Bond Counsel, and the Financial Advisor that the Refunding Deposit is sufficient to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS." By the deposit of the Refunding Deposit with the Paying Agents for the Refunded Bonds and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior orders of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the purpose of being paid from the Refunding Deposit, and the amounts so deposited will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

Sources and Uses of Funds

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

SOURCES OF FUNDS:

| | |
|---------------------------------|------------------------|
| Principal Amount of Bonds | \$ 2,600,000.00 |
| Original Issue Discount | (2,722.20) |
| Premium | 70,641.00 |
| Accrued Interest on Bonds | <u>4,402.78</u> |
| Total Sources of Funds | <u>\$ 2,672,321.58</u> |

USES OF FUNDS:

| | |
|---|------------------------|
| Deposit for Payment of the Refunded Bonds | \$ 2,525,928.13 |
| Deposit of Accrued Interest to Debt Service Fund | 4,402.78 |
| Insurance Premium, Issuance Expenses and Underwriter's Discount | 137,968.34 |
| Additional Proceeds | <u>4,022.33</u> |
| Total Uses of Funds | <u>\$ 2,672,321.58</u> |

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DISTRICT DEBT

General

The following tables and calculations relate to the Bonds. 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 raised by taxation against all or a portion of the property within the District.

| | |
|----------------------------------|--------------------|
| 2019 Assessed Valuation | \$ 442,981,675 (a) |
| 2020 Preliminary Valuation | \$ 466,264,327 (b) |

| | |
|---------------------------------------|------------------|
| Direct Debt: | |
| The Remaining Outstanding Bonds | \$ 23,230,000 |
| The Bonds | <u>2,600,000</u> |
| Total | \$ 25,830,000 |

| | |
|---|--------------------------|
| Estimated Overlapping Debt | \$ <u>25,401,826</u> (c) |
| Total Direct and Estimated Overlapping Debt | <u>\$ 51,231,826</u> |

| | |
|---|--------|
| Direct Debt Ratios: | |
| As a percentage of 2019 Assessed Valuation | 5.83 % |
| As a percentage of the 2020 Preliminary Valuation | 5.54 % |

| | |
|---|---------|
| Direct and Estimated Overlapping Debt Ratios: | |
| As a percentage of 2019 Assessed Valuation | 11.57 % |
| As a percentage of the 2020 Preliminary Valuation | 10.99 % |

| | |
|--|------------------|
| Debt Service Fund Balance (as of June 11, 2020) | \$ 2,335,485 (d) |
| General Operating Fund Balance (as of June 11, 2020) | \$ 5,142,661 |
| Capital Projects Fund Balance (as of June 11, 2020) | \$ 12,170 |
| Park Capital Projects Fund Balance (as of June 11, 2020) | \$ 60,042 |
| Recreational Facilities Fund Balance (as of June 11, 2020) | \$ 856,718 |

| | |
|---|------------------|
| 2019 Tax Rate per \$100 of Assessed Valuation | |
| Debt Service | \$0.550 |
| Maintenance & Operation | <u>0.310</u> (e) |
| Total | \$0.860 |

| | |
|---|------------------|
| Average Annual Debt Service Requirements on the Remaining | |
| Outstanding Bonds and the Bonds (2020-2038) | \$ 1,731,734 (f) |

| | |
|--|------------------|
| Maximum Annual Debt Service Requirement on the Remaining | |
| Outstanding Bonds and the Bonds (2030) | \$ 2,503,422 (f) |

| | |
|--|--------|
| Tax Rate per \$100 of Assessed Valuation Required to Pay Average | |
| Annual Debt Service Requirements on the Remaining Outstanding | |
| Bonds and the Bonds (2020-2038) at 95% Tax Collections: | |
| Based Upon the 2019 Assessed Valuation (\$442,981,675) | \$0.42 |
| Based Upon the 2020 Preliminary Valuation (\$466,264,327) | \$0.40 |

| | |
|--|--------|
| Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum | |
| Annual Debt Service Requirements on the Remaining Outstanding | |
| Bonds and the Bonds (2030) at 95% Tax Collections: | |
| Based Upon the 2019 Assessed Valuation (\$442,981,675) | \$0.60 |
| Based Upon the 2020 Preliminary Valuation (\$466,264,327) | \$0.57 |

-
- (a) As certified by the Harris County Appraisal District (the "HCAD"). See "TAXING PROCEDURES."
 - (b) Provided by HCAD as the preliminary value on January 1, 2020. The preliminary value excludes personal property. No taxes will be levied on this preliminary value. The value will be certified by the Appraisal Review Board and taxes will be levied on the certified value. See "TAXING PROCEDURES."
 - (c) See "DISTRICT DEBT - Estimated Overlapping Debt."
 - (d) Neither Texas law nor the Bond Order (hereinafter defined) requires that the District maintain any particular sum in the Debt Service Fund.
 - (e) The District reserves \$0.10 of its maintenance and operations tax for parks and recreations purposes.
 - (f) See "DISTRICT DEBT - Debt Service Requirements."

Estimated Overlapping Debt Statement

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

| Taxing Jurisdiction | Outstanding Debt as of June 30, 2020 | Percent | Overlapping Amount |
|---------------------------------------|---|---------|--------------------------|
| Harris County | \$ 1,885,182,125 | 0.09 % | \$ 1,725,428 |
| Harris County Department of Education | 6,320,000 | 0.09 | 5,783 |
| Harris County Flood Control District | 83,075,000 | 0.09 | 77,670 |
| Harris County Hospital District | 86,050,000 | 0.09 | 80,434 |
| Klein ISD | 1,125,655,000 | 1.94 | 21,784,892 |
| Lone Star College System | 569,815,000 | 0.21 | 1,192,235 |
| Port of Houston Authority | 572,569,397 | 0.09 | <u>535,384</u> |
| | | | |
| Total Estimated Overlapping Debt | | | \$ 25,401,826 |
| | | | |
| The District | | | <u>\$ 25,830,000</u> (a) |
| | | | |
| Total Direct & Estimated Overlapping | | | <u>\$ 51,231,826</u> |

(a) Includes the Bonds and excludes the Refunded Bonds.

Debt Ratios

| | 2019 Certified Assessed Valuation | 2020 Preliminary Valuation |
|---|---|----------------------------------|
| Direct Debt | 5.83 % | 5.54 % |
| Total Direct and Estimated Overlapping Debt (a) | 11.57 % | 10.99 % |

(a) Includes the Bonds and excludes the Refunded Bonds.

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Debt Service Requirements

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

| Calendar Year | Outstanding Debt Service | Less: Refunded Debt Service | Plus: The Bonds | | Total Debt Service |
|---------------|--------------------------|-----------------------------|---------------------|-------------------|----------------------|
| | | | Principal | Interest | |
| 2020 | \$ 457,829 | \$ 42,098 | \$ - | \$ - | \$ 415,731 |
| 2021 | 2,432,258 | 84,195 | 40,000 | 67,883 | 2,455,946 |
| 2022 | 2,450,104 | 329,516 | 260,000 | 56,600 | 2,437,188 |
| 2023 | 2,446,188 | 74,838 | 10,000 | 51,200 | 2,432,550 |
| 2024 | 2,462,856 | 187,969 | 125,000 | 48,500 | 2,448,388 |
| 2025 | 2,476,200 | 194,163 | 135,000 | 43,300 | 2,460,338 |
| 2026 | 2,485,273 | 195,210 | 145,000 | 39,150 | 2,474,213 |
| 2027 | 2,489,190 | 196,103 | 145,000 | 36,250 | 2,474,338 |
| 2028 | 2,487,719 | 196,700 | 150,000 | 33,300 | 2,474,319 |
| 2029 | 2,500,029 | 196,998 | 155,000 | 30,250 | 2,488,281 |
| 2030 | 2,518,369 | 202,048 | 160,000 | 27,100 | 2,503,422 |
| 2031 | 2,512,966 | 201,850 | 165,000 | 23,850 | 2,499,966 |
| 2032 | 2,513,746 | 206,405 | 175,000 | 20,450 | 2,502,791 |
| 2033 | 716,241 | 205,538 | 175,000 | 16,950 | 702,653 |
| 2034 | 476,894 | 209,238 | 185,000 | 13,350 | 466,006 |
| 2035 | 476,616 | 207,675 | 185,000 | 9,650 | 463,591 |
| 2036 | 475,706 | 210,850 | 190,000 | 5,900 | 460,756 |
| 2037 | 483,975 | 213,675 | 200,000 | 2,000 | 472,300 |
| 2038 | 270,166 | - | - | - | 270,166 |
| Total | <u>\$ 33,132,321</u> | <u>\$ 3,355,065</u> | <u>\$ 2,600,000</u> | <u>\$ 525,683</u> | <u>\$ 32,902,940</u> |

| | |
|--|-------------|
| Average Annual Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds (2020-2038)..... | \$1,731,734 |
| Maximum Annual Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds (2030) | \$2,503,422 |

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, the Remaining Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under "THE BONDS - Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System and for the payment of certain contractual obligations. The District levied a maintenance and operation tax of \$0.31 per \$100 assessed value in 2019. See "TAX DATA - Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Harris County Appraisal District ("HCAD" or the "Appraisal District"). The Appraisal District has the responsibility of appraising property for all taxing units within Harris County, including the District. Such appraisal values will be subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. For the 2020 tax year, the District granted a \$10,000 exemption for residential homesteads of persons 65 years or older or under a disability. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. Further, a veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty (20%) percent of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never adopted a general homestead exemption.

Freeport Goods Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2013 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by

applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Harris County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, Harris County has not designated any part of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

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

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its 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 of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland. As of January 1, 2020, no acres within the District were valued on the basis of agricultural use.

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the

amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty of twenty percent (20%), in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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 pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

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

Rollback of Operation and Maintenance Tax Rate

During the 86th Regular Legislative Session, 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 districts differently based on the 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 "Special Taxing Units." 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.

Special Taxing Units

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

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead 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 Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts

Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the District in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the District in that year, subject to certain homestead exemptions.

The District

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

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceeding which restrict the collection of taxpayer debts. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead if the person (1) has been granted an exemption under Section 11.13; Tax Code; (2) requests an installment agreement; and (3) has not entered into an agreement with the collector in the preceding 24 months. The installment payment agreement must provide for payment to be made in monthly installments and must extend for a period of at least 12 months and not more than 36 months. See "INVESTMENT CONSIDERATIONS – General" and "– Tax Collection and Foreclosure Remedies."

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. 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. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, not to exceed \$1.35 per \$100 of assessed valuation, for operation and maintenance purposes and \$0.10 for operation and maintenance of park facilities. The Board levied a 2019 tax rate for debt service purposes of \$0.55 per \$100 of assessed valuation and \$0.31 per \$100 of assessed valuation for operation and maintenance purposes (the District reserves \$0.10 of its maintenance and operations tax for parks and recreations purposes).

Tax Rate Limitation

| | |
|------------------------|--|
| Debt Service: | Unlimited (no legal limit as to rate or amount). |
| Maintenance: | \$1.35 per \$100 of Assessed Valuation. |
| Recreation Facilities: | \$0.10 per \$100 of Assessed Valuation. |

Historical Tax Collections

The following table illustrates the collection history of the District for the 2015-2019 tax years:

| Tax Year | Assessed Valuation | Tax Rate/ \$100 (a) | Adjusted Levy | Current Year | Tax Year Ending 9/30 | As of May, 2020 |
|----------|--------------------|------------------------|---------------|--------------|----------------------|-----------------|
| 2015 | \$ 432,230,905 | 1.00 | 4,322,309 | 99.60% | 2016 | 99.90% |
| 2016 | 455,173,390 | 0.90 | 4,096,561 | 99.50% | 2017 | 99.90% |
| 2017 | 451,081,994 | 0.87 | 3,924,413 | 99.80% | 2018 | 99.90% |
| 2018 | 435,967,770 | 0.86 | 3,749,323 | 99.80% | 2019 | 99.90% |
| 2019 | 442,981,675 | 0.86 | 3,809,642 | 99.00% (b) | 2020 | 99.00% |

(a) Includes a tax for maintenance and operation purposes. See "- Tax Rate Distribution" below.

(b) Collections as of May, 2020.

Tax Rate Distribution

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|----------------|---------------|---------------|---------------|---------------|---------------|
| Debt Service | \$0.55 | \$0.55 | \$0.54 | \$0.54 | \$0.57 |
| Maintenance | 0.31 | 0.31 | 0.33 | 0.36 | 0.43 |
| Total Tax Rate | <u>\$0.86</u> | <u>\$0.86</u> | <u>\$0.87</u> | <u>\$0.90</u> | <u>\$1.00</u> |

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value for the 2015-2019 tax years by type of property.

| Type of Property | 2019 Assessed Valuation | 2018 Assessed Valuation | 2017 Assessed Valuation | 2016 Assessed Valuation | 2015 Assessed Valuation |
|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Land | \$ 88,007,306 | \$ 88,143,680 | \$ 88,143,680 | \$ 85,911,367 | \$ 85,509,215 |
| Improvements | 363,373,578 | 353,656,500 | 368,872,020 | 375,287,915 | 366,358,613 |
| Personal Property | 3,377,454 | 3,430,386 | 4,964,662 | 5,641,490 | 5,934,146 |
| Exemption | <u>(11,776,663)</u> | <u>(9,262,796)</u> | <u>(10,898,368)</u> | <u>(11,667,382)</u> | <u>(25,571,069)</u> |
| Total | \$ 442,981,675 | \$ 435,967,770 | \$ 451,081,994 | \$ 455,173,390 | \$ 432,230,905 |

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2019:

| Taxpayer | Type of Property | Assessed Valuation 2019 Tax Roll | % of 2019 Tax Roll |
|-------------------------|---------------------|-------------------------------------|-----------------------|
| New Auburn Ventures LLC | Land & Improvements | \$ 2,543,825 | 0.57% |
| Homeowner | Land & Improvements | 1,080,019 | 0.24% |
| Homeowner | Land & Improvements | 1,058,834 | 0.24% |
| Homeowner | Land & Improvements | 1,057,869 | 0.24% |
| Homeowner | Land & Improvements | 1,041,765 | 0.24% |
| Homeowner | Land & Improvements | 1,005,000 | 0.23% |
| Homeowner | Land & Improvements | 1,004,108 | 0.23% |
| Homeowner | Land & Improvements | 993,903 | 0.22% |
| Homeowner | Land & Improvements | 989,124 | 0.22% |
| Homeowner | Land & Improvements | <u>975,940</u> | <u>0.22%</u> |
| Total | | <u>\$11,750,387</u> | <u>2.65%</u> |

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Taxable Assessed Valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2019 Certified Assessed Valuation (\$442,981,675) or the 2020 Preliminary Valuation (\$466,264,327). The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds:

| | |
|---|-------------|
| Average Annual Debt Service Requirements (2020-2038) | \$1,731,734 |
| Tax Rate of \$0.42 on the 2019 Assessed Valuation at 95% collection produces | \$1,767,497 |
| Tax Rate of \$0.40 on the 2020 Preliminary Valuation at 95% collection produces | \$1,771,804 |
| Maximum Annual Debt Service Requirement (2030) | \$2,503,422 |
| Tax Rate of \$0.60 on the 2019 Assessed Valuation at 95% collection produces | \$2,524,996 |
| Tax Rate of \$0.57 on the 2020 Preliminary Valuation at 95% collection produces | \$2,524,821 |

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, when ad valorem taxes are levied by a taxing authority, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT - Estimated Overlapping Debt"), certain taxing jurisdictions, including the District, are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is a compilation of all 2019 taxes levied by such jurisdictions on property within the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other charges by entities other than political subdivisions.

| <u>Taxing Jurisdiction</u> | <u>2019 Tax Rate/ Per \$100 of A.V.</u> |
|---------------------------------------|---|
| The District | \$ 0.860000 |
| Harris County | 0.407130 |
| Harris County Flood Control District | 0.027920 |
| Harris County Department of Education | 0.005000 |
| Harris County Hospital District | 0.165910 |
| Port of Houston Authority | 0.010740 |
| Klein Independent School District | 1.360000 |
| Lone Star College System District | 0.107800 |
| Harris County ESD #7 | 0.099400 |
| Harris County ESD #11 | <u>0.034700</u> |
| Estimated Total Tax Rate | <u>\$ 3.078600</u> |

THE DISTRICT

General

The District is a limited-purpose political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created pursuant to the Acts of the 62nd Legislature, Regular Session 1971, Chapter 625, codified as Vernon’s Annotated Taxes Civil Statutes, Art. 8280-524. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, among other things. The District may also provide solid waste collection and disposal service and operate and maintain recreational facilities. Currently the District contracts for solid waste collection service. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department. The District is subject to the continuing supervision of the TCEQ and is located exclusively within the extraterritorial jurisdiction of the City of Houston.

Description

The District is located wholly within Harris County, approximately 25 miles north of Houston’s central business district, approximately 5 miles west of Interstate Highway 45 (“IH 45”), and approximately 1 mile south of Spring Creek and just north of Willow Creek. All of the land within the District is within the exclusive extraterritorial jurisdiction (the “ETJ”) of

the City of Houston and Klein Independent School District. The District owns certain parks and recreational facilities including a recreation center containing a fitness room, swimming pool and playground.

Management of the District

The District is governed by a board of five directors which has control and management supervision over all affairs of the District. All of the present members of the Board reside within the District. Directors are elected in odd-numbered years for four-staggered terms. The present members and officers of the Board and their principal occupations are listed below:

| <u>Name</u> | <u>Position</u> | <u>Term Expires May</u> |
|-----------------|---------------------|-------------------------|
| Ty Warren | President | 2023 |
| Shaun Hebert | Vice President | 2023 |
| Kerry Simmons | Secretary | 2023 |
| David J. Doiron | Assistant Secretary | 2021 |
| Jennifer Smith | Assistant Secretary | 2021 |

The District employs the following companies and individuals to operate its utilities and recreational facilities.

Tax Assessor/Collector – The District’s Tax Assessor/Collector is Equi-Tax Inc.

Bookkeeper – The District contracts with L&S District Services, LLC, for bookkeeping services. Utility System Operator – The District’s operator is Hays Utility South Corporation.

Auditor – The District employed Mark C. Eyring, CPA, PLLC to audit its financial records for the fiscal year ended September 30, 2019.

Engineer – The consulting engineer retained by the District in connection with the design and construction of the District’s facilities is Jones & Carter, Inc. (the “Engineer”).

Legal Counsel – The District employs Coats Rose, P.C. as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds. Coats Rose, P.C. also acts as general counsel for the District.

Financial Advisor - The District has employed the firm of Robert W. Baird & Co. Incorporated as financial advisor to the District. Payment to the Financial Advisor by the District is contingent upon the issuance, sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

Special Consultants Related to Issuance of the Bonds:

Verification Agent – Special Consultant Related to Issuance of the Bonds: Verification Agent – At the time of delivery of the Bonds, Robert Thomas CPA will verify to the District, Bond Counsel, and the Underwriter certain matters related to the issuance of the Bonds and the refunding of the Refunded Bonds. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

DEVELOPMENT IN THE DISTRICT

General

Development within the District began in 2003. Of the District’s 469 acres, approximately 377 acres have been developed as 1,147 single family residential lots. There is approximately 1.5 acres of commercial land that contains a 13,350 square foot office building. Approximately 91 acres are undevelopable.

Sales and Development

Approximately 377 acres within the District have been developed as the single-family residential subdivisions of Village of Auburn Lakes, Sections 1 and 2; Auburn Lakes Estates, Sections 1 and 2; Auburn Lakes Retreat, Sections 1, 2, 3, 4 and 5; Auburn Lakes Reserve, Sections 1, 2, 3, 4 and 5; Auburn Lakes Pines, Sections 1, 2, 3, 4 and 5, containing 1,147 lots. To date, all residential sections have been developed and built out.

THE SYSTEM

Regulation

According to the Engineer, the water distribution and wastewater collection lines constructed by the District (the “System”) have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others,

the TCEQ, the City of Houston, and Harris County. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies and inspected by the TCEQ.

Operation of the District's waterworks and sewer treatment facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Description of the System

- Wastewater Treatment and Conveyance System -

On June 15, 1993, the District entered into an agreement (which was amended on October 8, 2009) between the District, Northampton Municipal Utility District ("Northampton MUD") and Klein Independent School District ("Klein ISD") to share a 1,150,000-gallon per day ("gpd") wastewater treatment facility (the "WWTP"). Pursuant to the agreement, the District has a 0.435 million gallon per day ("mgd") share in the plant. Northampton MUD has a 0.640 mgd share, and Klein ISD has a 0.075 mgd share. The WWTP is operated by Northampton MUD. The WWTP is sufficient to serve a total of 3,650 equivalent single-family connections ("ESFCs"). The District's pro-rata share of the WWTP is sufficient to serve 1,380 ESFCs.

- Water Supply and Distribution -

The District owns and operates a 1,400 gallon per minute ("gpm") water well, two 15,000 gallon pressure tanks, two 426,000 gallon ground storage tanks, four (4) 700 gpm booster pumps, one (1) 450 kw generator, and one (1) forced draft aerator, collectively called the "Water Plant." The Water Plant is capable of serving approximately 1,400 ESFCs.

- Drainage -

The developed portions of the District are served with storm sewers, three detention ponds and outfall drainage facilities constructed with proceeds of certain developer advances. According to the Engineer, the Federal Emergency Management Agency Flood Hazard Boundary Map currently in effect which covers the land in the District reflects that approximately 11.95 acres of the developed acres in the District lie within the 100-year flood plain.

Subsidence and Conversion to Surface Water Supply

The District is located within Area 3 of the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District"), the entity which regulates groundwater withdrawal in Harris and Galveston Counties. The District's ability to pump groundwater from its wells is subject to annual permits issued by the Subsidence District. On January 9, 2013, the Subsidence District adopted a revised Regulatory Plan, which was subsequently amended on May 8, 2013 (the "Regulatory Plan"), to reduce groundwater withdrawal through conversion to surface water consumption by the areas within the Subsidence District's boundaries. Under the Regulatory Plan, areas within Area 3 of the Subsidence District's boundaries must have been converted to 30% surface water currently, 60% surface water by 2025 and 80% surface water by 2035. Water permittees, including the District, are required to adopt and implement a groundwater reduction plan to meet the schedule for surface water conversion.

The District is also located within the boundaries of the North Harris County Regional Water Authority (the "Water Authority"). The Water Authority was created to accomplish the conversion to surface water by entities within the Subsidence District's Area 3 in accordance with the Subsidence District's Regulatory Plan. To implement the required conversion to surface water in accordance with the Subsidence District's Regulatory Plan, the Water Authority has adopted a groundwater reduction plan providing for the design, construction and operation of a network of surface water transmission lines, storage tanks, and pumping stations to transport and distribute surface water to the areas within the Water Authority's boundaries (the "Surface Water Facilities"). The Water Authority has also contracted with the City of Houston to secure a long-term supply of surface water. To obtain funding to accomplish its purposes, the Water Authority is currently assessing a groundwater pumpage fee in the amount of \$3.85 (\$4.25 effective July 1, 2020) per 1,000 gallons of water, which applies to certain water well permittees in its boundaries, including the District.

No representation is made that the Water Authority will continue in existence or will build the Surface Water Facilities to meet the Subsidence District's Regulatory Plan. If such Surface Water Facilities are not constructed, the District would be subject to the Subsidence District's disincentive fee and would be required to proceed with preparing and implementing its own groundwater reduction plan.

General Fund Operating Statement

The following is a summary of the District's Operating Fund. The figures for the fiscal years ending September 30 in the years 2015 through 2019, were obtained from the District's annual financial report, reference to which is hereby made. See "APPENDIX A." The figures for the period ended June 30, 2020, are unaudited and have been obtained from the reports of the District's bookkeeper. The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

| | <u>UNAUDITED</u> 2020 (a) | Fiscal Year Ended | | | | |
|---|------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | | 09/30/19 | 09/30/18 | 09/30/17 | 09/30/16 | 09/30/15 |
| REVENUES | | | | | | |
| Property taxes for maintenance | \$ 1,079,003 | \$ 914,495 | \$ 1,047,969 | \$ 1,181,281 | \$ 1,423,197 | \$ 1,143,624 |
| Property taxes for parks and recreation | 295,062 | 435,441 | 454,548 | 454,433 | 431,322 | 369,330 |
| Water service | 184,946 | 261,392 | 287,337 | 286,056 | 278,882 | 264,703 |
| Sewer service | 365,844 | 487,453 | 466,057 | 464,721 | 461,860 | 461,289 |
| Surface water fees | 471,071 | 670,690 | 683,291 | 581,884 | 462,133 | 374,898 |
| Penalty | 7,589 | 15,352 | 20,736 | 18,120 | 19,013 | 18,734 |
| Tap connection and inspection fees | 3,845 | 0 | 0 | 5,354 | 6,186 | 43,696 |
| Interest on deposits | 28,724 | 71,137 | 47,993 | 7,193 | 4,939 | 3,030 |
| Other revenues (b) | <u>556,067</u> | <u>30,630</u> | <u>30,415</u> | <u>17,522</u> | <u>17,082</u> | <u>26,390</u> |
| TOTAL REVENUES | \$ 2,992,151 | \$ 2,886,590 | \$ 3,038,346 | \$ 3,016,564 | \$ 3,104,614 | \$ 2,705,694 |
| EXPENDITURES | | | | | | |
| Purchased services | \$ 225,041 | \$ 282,973 | \$ 217,176 | \$ 192,950 | \$ 212,490 | \$ 175,349 |
| Professional fees | 85,703 | 123,042 | 133,384 | 247,784 | 255,526 | 158,298 |
| Contracted services | 193,613 | 86,814 | 89,035 | 89,344 | 87,504 | 74,674 |
| Utilities | 35,521 | 56,917 | 65,743 | 64,554 | 49,989 | 56,555 |
| Surface water pumpage fees | 458,423 | 650,621 | 649,482 | 569,846 | 443,651 | 362,052 |
| Repairs and maintenance | 77,035 | 196,613 | 204,773 | 200,440 | 239,434 | 171,595 |
| Other operating expenditures | 22,985 | 25,423 | 39,183 | 27,939 | 129,021 | 26,264 |
| Recreation facilities | 276,265 | 339,927 | 549,743 | 346,864 | 205,690 | 183,555 |
| Garbage disposal | 168,916 | 223,030 | 204,458 | 201,240 | 209,217 | 207,750 |
| Administrative expenditures | 27,199 | 56,838 | 54,598 | 62,486 | 25,394 | 26,806 |
| Capital Outlay | <u>145,812</u> | <u>101,027</u> | <u>77,826</u> | <u>1,078,154</u> | <u>153,577</u> | <u>51,607</u> |
| TOTAL EXPENDITURES | \$ 1,716,513 | \$ 2,143,225 | \$ 2,285,401 | \$ 3,081,601 | \$ 2,011,493 | \$ 1,494,505 |
| Excess Revenues (Expenditures) | <u>\$ 1,275,638</u> | <u>\$ 743,365</u> | <u>\$ 752,945</u> | <u>\$ (65,037)</u> | <u>\$ 1,093,121</u> | <u>\$ 1,211,189</u> |
| Other Sources (Uses) | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Balance, Beg of Year | <u>\$ 4,817,719</u> | <u>\$ 4,074,354</u> | <u>\$ 3,321,409</u> | <u>\$ 3,386,446</u> | <u>\$ 2,293,325</u> | <u>\$ 1,082,136</u> |
| Balance, End of Year | <u>\$ 6,093,357</u> | <u>\$ 4,817,719</u> | <u>\$ 4,074,354</u> | <u>\$ 3,321,409</u> | <u>\$ 3,386,446</u> | <u>\$ 2,293,325</u> |

(a) Unaudited for the time-period ended June 30, 2020.

(b) Includes \$542,403 transferred from Capital Projects.

INVESTMENT CONSIDERATIONS

General

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

Economic Factors Affecting Taxable Values and Tax Payment

Maximum Impact on District Tax Rate: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2019 Certified Assessed Valuation of property within the District (see “DISTRICT DEBT”), is \$442,981,675 and the Preliminary Valuation as of January 1, 2020 is \$466,264,327. After issuance of the Bonds, the maximum annual debt service requirement will be \$2,503,422 (2030) and the average annual debt service requirement will be \$1,731,734 (2020 through 2038 inclusive). Assuming no increase or decrease from the 2019 Certified Assessed Valuation, a tax rate of \$0.60 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$2,503,422 and a tax rate of \$0.42 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirements of \$1,731,734. Assuming no increase or decrease from the Preliminary Valuation as of January 1, 2020, a tax rate of \$0.57 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$2,503,422 and a tax rate of \$0.40 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirements of \$1,731,734 (see “DISTRICT DEBT – Debt Service Requirements”). The District levied a tax rate in 2019 for debt service purposes of \$0.55 per \$100 of assessed valuation and a tax rate of \$0.31 per \$100 of assessed valuation for operation and maintenance purposes (the District reserves \$0.10 of its maintenance and operations tax for parks and recreations purposes).

Potential Impact of Natural Disaster

The District is located approximately 60 miles from the Texas Gulf Coast and, as it has in the past, could be impacted by high winds, heavy rains, and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value in the District or an increase in the District’s tax rates. See “TAXING PROCEDURES – Valuation of Property for Taxation.”

There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District are adversely affected.

Hurricane Harvey

The Houston area, including Harris County, experienced historic levels of rainfall and widespread flooding following landfall of Hurricane Harvey on August 25, 2017. According to the Engineer, the District’s water and sewer did not sustain any material damage as a result of Hurricane Harvey, and there was no interruption to water and sewer service in the District.

Further, to the best knowledge of the Engineer, no homes within the District experienced structural flooding or other material damage. The District is located near the Texas Gulf Coast and, as it has in the past, could be impacted by high winds and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event.

Dependence on the Oil and Gas Industry

Recently, unprecedented volatility in the oil and gas industry due to the unused supply of oil as a result of COVID-19 stay-at-home orders and other mitigation efforts resulted in historic low prices in a key segment of the nation’s oil trading. Adverse developments in economic conditions, particularly in the oil and gas industry, could adversely impact the businesses of taxpayers and the property values in the District, resulting in less local tax revenue. See “RISK FACTORS – Infectious Disease Outbreak – COVID-19.” Texas may be particularly at risk from any global slowdown in the oil and gas industry, given the prevalence of international trade in Texas and the risk of contraction in the oil and gas industry and spillover effects into other industries. Should oil prices remain depressed over a long period of time or other adverse

developments in economic conditions were to occur, particularly in the oil and gas industry, these businesses could be adversely impacted.

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 the State. 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 State Governor (the “Governor”) declared COVID-19 an imminent threat of disaster for all counties in the State (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.

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 the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. In addition to the actions by the State and federal officials, certain local officials have declared a local state of disaster. Many of the federal, State and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which negatively affects the operation of businesses and the State and national economies.

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

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

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

Tax Collection and Foreclosures Remedies

The District’s ability to make debt service payments may be adversely affected by difficulties in collecting ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by 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 proceedings against a taxpayer; or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property.

Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see “TAX DATA - Estimated Overlapping Taxes”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers’ right to redeem property after foreclosure). Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer.

Registered Owners’ Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners of the Bonds have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. 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. Although the 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 limited further 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, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Bankruptcy Limitation to Registered Owners' Rights."

Bankruptcy Limitations to Registered Owners' Rights

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires a district, such as the District, to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

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

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

A district, such as the District, may not be forced into bankruptcy involuntary.

Future Debt

Following the issuance of the Bonds, the District will have \$16,680,000 principal amount of unlimited tax bonds authorized for the purpose of acquiring, constructing, owning, operating, repairing, improving or extending the System, \$48,555,000 in principal amount of water, sewer and drainage refunding bonds and \$7,530,000 principal amount of unlimited tax bonds for parks and recreational facilities authorized but unissued. The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue obligations, other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds.

Additional tax bonds may be authorized by District's voters in the future. The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the waterworks and sewer system therefore and to issue bond anticipation notes and tax anticipation notes.

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

The District is within the Harris-Galveston Coastal Subsidence District (the "Subsidence District") which regulates the withdrawal of ground water within its jurisdiction. The District's authority to pump ground water from its wells is subject to annual permits issued by the Subsidence District. The Subsidence District has ordered certain areas of suburban Houston to convert most of their water supply to surface water under various time schedules but has not established a date for the District to commence restricting the withdrawal of ground water and to develop a source of surface water. The issuance of additional bonds by the District at some time in the future in an undetermined amount may be necessary to meet these requirements. See "THE SYSTEM - Subsidence and Conversion to Surface Water Supply."

Proposed Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Collection of Taxes

The District's ability to pay debt service on the Bonds may be adversely affected by its ability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien on the property in favor of the District on a parity with the lien of all other state and local authorities. Such lien can be foreclosed in judicial proceedings. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) collection procedures, (b) a bankruptcy court's stay of a tax collection procedure against a taxpayer or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property including the taxpayer's right to redeem property for a specified period of time after foreclosure at the foreclosure sale price. See "TAXING PROCEDURES – Levy and Collection of Taxes."

Marketability of the Bonds

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

Environmental and Air Quality Regulations

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

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

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State 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 State 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 is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the State from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required 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. Costs associated with these compliance activities could be substantial in the future.

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 became effective on June 22, 2020 and is 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.

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

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 of 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 “LEGAL MATTERS.”

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

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 applicable bond insurance policy (the “Policy”) for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been

due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the bond insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the bond insurer without appropriate consent. The bond insurer may direct and must consent to any remedies and the bond insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the bond 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 bond 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 bond insurer and its claim paying ability. The bond 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 bond insurer and of the ratings on the Bonds insured by the bond 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 "MUNICIPAL BOND INSURANCE" and "MUNICIPAL BOND RATING."

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

Neither the District or Underwriter have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond 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 bond insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" herein for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

LEGAL MATTERS

Legal Opinion

The District will furnish to the Underwriter a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the District, and the approving legal opinion of Coats Rose, P.C., Bond Counsel to the District.

Bond Counsel was engaged by, and only represents the District. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein. In its capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions "THE BONDS" (except for the information under the subcaptions "Book-Entry-Only System," "Remaining Outstanding Bonds," and "Issuance of Additional Debt," as to which no opinion need be expressed) "TAXING PROCEDURES," "THE DISTRICT - General," "LEGAL MATTERS - Legal Opinions," and "CONTINUING DISCLOSURE." (except for the information under the subcaption "Compliance With Prior Undertakings," as to which no opinion need be expressed), and such firm is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Order and are correct as to matters of law. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P., Houston, Texas. The legal fee of such firms is contingent upon the sale and delivery of the Bonds.

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

In addition to serving as Bond Counsel, Coats Rose, P.C. also acts as counsel to the District on matters not related to the issuance of bonds.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge and belief of the certifying officers, threatened against the District contesting or attacking the Bonds; restraining or enjoining the authorization, 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 of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the titles of the then present officers of the Board.

No Material Adverse Change

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

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Coats Rose, P.C., Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on 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, Bond Counsel 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, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitration and the use of the proceeds of the Bonds and the property financed or refinanced therewith, and (c) the verification report prepared by Robert Thomas CPA, LLC. Failure by the District to comply with the aforementioned representations or covenants could cause the interest on the Bonds to become includable in gross income 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 Bond Counsel is conditioned on compliance by the Issuer with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The 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 such 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 Project. 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 Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. 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.

Qualified Tax-Exempt Obligations for Financial Institutions

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

VERIFICATION OF MATHEMATICAL CALCULATIONS

Robert Thomas CPA, LLC, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the funds deposited with the Paying Agent for the Refunded Bonds to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Bonds, (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes, and (c) compliance with the City of Houston Ordinance No. 97-416.

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data via EMMA annually.

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 "DISTRICT DEBT" (except under the subheading "Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A – FINANCIAL STATEMENTS OF THE DISTRICT." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2020.

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

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material 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 or 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 (as defined by SEC Rule 15c2-12, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the District, 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. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with SEC Rule 15c2-12. 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 notices to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB and has been established by the MSRB to make such continuing disclosure information available to investors free of charge. Investors may access 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 events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement, or from any statement made pursuant to its agreement, although holders and beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement 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 operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with Rule 15c2-12 ("SEC Rule 15c2-12", taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the United States Securities and Exchange Commission amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an

explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

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

SOURCES OF INFORMATION

General

The information contained in this Official Statement has been obtained primarily from the District's records, the District Engineer, the Tax Assessor/Collector, the Harris County Appraisal District, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, 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 District's audited financial statements for the year ended September 30, 2019, were prepared by Mark C. Eyring, CPA, PLLC, and have been included herein as "APPENDIX A – Independent Auditor's Report and Financial Statements of the District." Mark C. Eyring, CPA, PLLC, has consented to the publication of such financial statements in this Preliminary Official Statement.

Experts

The information contained in this Official Statement relating to engineering and to the description of the System generally and, in particular, the engineering information included in the sections captioned "THE DISTRICT" and "THE SYSTEM" has been provided by the Engineer and 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, analysis of the tax base and percentages of tax collections contained in the sections captioned "TAX DATA" has been provided by the Harris County Appraisal District, and the District's Tax Assessor/Collector, and has been included herein in reliance upon the authority of such parties as experts in the field of tax assessing and collecting.

Updating the Official Statement

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

Official Statement "Deemed Final"

For purposes of compliance with Rule 15c2-12 promulgated by the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the District from time-to-time, may be treated as an Official Statement with respect to the Bonds described herein "deemed final" by the District as of the date hereof (or of any such supplement or correction).

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "Final Official Statement" of the District with respect to the Bonds, as that term is defined in Rule 15c2-12.

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Underwriter a certificate, executed by the President and Secretary of the Board of Directors of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the 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, such statements and data have been obtained from sources which the District believes to be reliable, and the District has no reason to believe that they are untrue in any material respect.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Oakmont Public Utility District as of the date specified on the first page hereof.

/s/ Ty Warren
President, Board of Directors
Oakmont Public Utility District

ATTEST:

/s/ Kerry Simmons
Secretary, Board of Directors
Oakmont Public Utility District

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

OAKMONT PUBLIC UTILITY DISTRICT
HARRIS COUNTY, TEXAS
ANNUAL AUDIT REPORT
SEPTEMBER 30, 2019

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Mark C. Eyring, CPA, PLLC

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January 9, 2020

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Oakmont Public Utility District
Harris County, Texas

I have audited the accompanying financial statements of the governmental activities and each fund of Oakmont Public Utility District, as of and for the year ended September 30, 2019, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Oakmont Public Utility District as of September 30, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 22 to 46 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in dark ink, appearing to read "M. A. J.", is located in the lower right quadrant of the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Oakmont Public Utility District (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2019.

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Financial Analysis of the District as a Whole

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

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

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

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

Summary of Net Position

| | <u>2019</u> | <u>2018</u> | <u>Change</u> |
|--|---------------------|-----------------------|---------------------|
| Current and other assets | \$ 7,700,511 | \$ 6,974,590 | \$ 725,921 |
| Capital assets | 19,064,181 | 19,665,070 | (600,889) |
| Total assets | <u>26,764,692</u> | <u>26,639,660</u> | <u>125,032</u> |
| Long-term liabilities | 25,646,914 | 27,036,319 | (1,389,405) |
| Other liabilities | 1,772,737 | 1,693,831 | 78,906 |
| Total liabilities | <u>27,419,651</u> | <u>28,730,150</u> | <u>(1,310,499)</u> |
| Net position: | | | |
| Invested in capital assets, net of related debt | (7,972,138) | (8,688,398) | 716,260 |
| Restricted | 2,495,411 | 2,520,966 | (25,555) |
| Unrestricted | 4,821,768 | 4,076,942 | 744,826 |
| Total net position | <u>\$ (654,959)</u> | <u>\$ (2,090,490)</u> | <u>\$ 1,435,531</u> |

Summary of Changes in Net Position

| | <u>2019</u> | <u>2018</u> | <u>Change</u> |
|---|---------------------|-----------------------|---------------------|
| Revenues: | | | |
| Property taxes, including related penalty and interest | \$ 3,760,143 | \$ 3,950,902 | \$ (190,759) |
| Charges for services | 1,465,517 | 1,487,836 | (22,319) |
| Other revenues | 112,907 | 69,432 | 43,475 |
| Total revenues | <u>5,338,567</u> | <u>5,508,170</u> | <u>(169,603)</u> |
| Expenses: | | | |
| Service operations | 2,800,888 | 2,959,292 | (158,404) |
| Debt service | 1,102,148 | 1,131,998 | (29,850) |
| Total expenses | <u>3,903,036</u> | <u>4,091,290</u> | <u>(188,254)</u> |
| Change in net position | 1,435,531 | 1,416,880 | 18,651 |
| Net position, beginning of year | <u>(2,090,490)</u> | <u>(3,507,370)</u> | <u>1,416,880</u> |
| Net position, end of year | <u>\$ (654,959)</u> | <u>\$ (2,090,490)</u> | <u>\$ 1,435,531</u> |

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended September 30, 2019, were \$7,382,758, an increase of \$710,685 from the prior year.

The General Fund balance increased by \$743,365, in accordance with the District's financial plan.

The Debt Service Fund balance decreased by \$33,968, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$1,288 from interest earnings.

General Fund Budgetary Highlights

The Board of Directors amended the budget during the fiscal year. The original budget adopted by the Board of Directors anticipated an increase in the fund balance during the year of \$81,877. During the fiscal year, the Board of Directors adopted an amended budget which anticipated an increase in the fund balance during the year of \$358,958. The changes from the original budget to the final budget were due to changes in various revenue and expense accounts.

The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 21 of this report. The budgetary fund balance as of September 30, 2019, was expected to be \$4,433,312 and the actual end of year fund balance was \$4,817,719.

Capital Asset and Debt Administration

Capital Assets

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

| | <u>Capital Assets (Net of Accumulated Depreciation)</u> | | |
|----------------------------|---|----------------------|---------------------|
| | <u>2019</u> | <u>2018</u> | <u>Change</u> |
| Land | \$ 2,064,039 | \$ 2,064,039 | \$ 0 |
| Detention ponds | 3,031,707 | 3,031,707 | 0 |
| Buildings and improvements | 3,527,009 | 3,741,440 | (214,431) |
| Recreation equipment | 199,270 | 132,812 | 66,458 |
| Water facilities | 4,744,253 | 4,985,508 | (241,255) |
| Sewer facilities | 5,497,903 | 5,709,564 | (211,661) |
| Totals | <u>\$ 19,064,181</u> | <u>\$ 19,665,070</u> | <u>\$ (600,889)</u> |

Changes to capital assets during the fiscal year ended September 30, 2019, are summarized as follows:

| | | |
|-----------------------------------|--|---------------------|
| Additions: | | |
| Water system improvements | | \$ 9,238 |
| Shade structure | | 90,239 |
| Total additions to capital assets | | <u>99,477</u> |
| Decreases: | | |
| Depreciation | | <u>(700,366)</u> |
| Net change to capital assets | | <u>\$ (600,889)</u> |

Debt

Changes in the bonded debt position of the District during the fiscal year ended September 30, 2019, are summarized as follows:

| | |
|---|----------------------|
| Bonded debt payable, beginning of fiscal year | \$ 28,650,000 |
| Bonds paid | <u>(1,440,000)</u> |
| Bonded debt payable, end of fiscal year | <u>\$ 27,210,000</u> |

At September 30, 2019, the District had \$16,680,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District and \$7,530,000 for parks and recreational facilities.

The District has an underlying rating of BBB+ by Standard & Poor's and A2 by Moody's. The Series 2011 bonds are not insured. The Series 2010, 2012 and 2015 bonds are insured by Assured Guaranty Municipal Corp. The Series 2013, 2014, 2014 park bonds, 2014A and 2016 bonds are insured by Build America Mutual Assurance Company. The rating of the Series 2011 bonds is BBB+ by Standard & Poor's. The insured rating of the Series 2010, 2012, 2013, 2014, 2014 park bonds, 2014A, 2015 and Series 2016 bonds is AA by Standard & Poor's. The insured rating of the Series 2010, 2012 and 2015 bonds is A2 by Moody's. There was no change in the bond ratings during the fiscal year ended September 30, 2019.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base decreased approximately \$15,130,000 for the 2018 tax year (about 3%), primarily due to the decrease in the average valuation of existing property.

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston ordinance consenting to the creation of the District. In addition, the District may be annexed in whole, but not in part, by the City of Houston. If the District is annexed, the City will assume the District's assets, functions and obligations (including the bonded indebtedness) and dissolve the District.

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

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

Water Supply Issues

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

The District is subject to the NHCRWA's Groundwater Reduction Plan. The NHCRWA, as part of the plan of financing the NHCRWA System, has elected to allow districts, such as the District, to participate in a pro-rata share of the costs associated with the acquisition and construction of the NHCRWA System (including the costs associated with the acquisition of alternate sources of water supply) by issuing its own debt or using cash on hand, entitling the District to a future credit against pumpage fees due to the NHCRWA. The District has not elected this financing option. As a result, the District has elected to pay its share in the NHCRWA System costs over time through payment of levied pumpage fees to the NHCRWA. The District may be required by the NHCRWA to participate in the groundwater conversion project by converting to surface water some time after January 1, 2010. Noncompliance with the NHCRWA's Groundwater Reduction Plan or nonparticipation in the NHCRWA's surface water conversion project could result in the District's exclusion from the NHCRWA's Groundwater Reduction Plan and assessment of the Subsidence District's disincentive fee against groundwater pumped from wells located within the District.

Groundwater pumped from wells located within the District is not currently subject to the Subsidence District's groundwater disincentive fee. However, groundwater pumped from wells located within the District is subject to a per 1,000 gallon pumpage fee that is assessed and collected by the NHCRWA pursuant to the NHCRWA's Pumpage Fee Order. At September 30, 2019, the pumpage fee was equal to \$3.85 per 1,000 gallons pumped, and is expected to increase in the future. At September 30, 2019, the Authority's surface water usage fee was equal to \$4.30 per 1,000 gallons, and is expected to increase in the future. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future to finance the acquisition and construction of surface water infrastructure (whether such costs are incurred directly by the District or through projects undertaken by the NHCRWA). The NHCRWA has sold four issues of bonds to finance a portion of the costs related to the design, acquisition and construction of the NHCRWA System. The NHCRWA bonds are secured by revenues of the NHCRWA, including the pumpage fee.

OAKMONT PUBLIC UTILITY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

SEPTEMBER 30, 2019

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Total</u> | <u>Adjustments (Note 3)</u> | <u>Statement of Net Position</u> |
|---|--------------------|-------------------------|-----------------------------|---------------------|---------------------------------|--|
| ASSETS | | | | | | |
| Cash, including interest-bearing accounts, Note 7 | \$1,850,122 | \$ 88,102 | \$ 614,289 | \$ 2,552,513 | \$ | \$ 2,552,513 |
| Certificates of deposit, at cost, Note 7 | 3,000,000 | 1,860,000 | | 4,860,000 | | 4,860,000 |
| Receivables: | | | | | | |
| Property taxes | 4,049 | 6,951 | | 11,000 | | 11,000 |
| Accrued penalty and interest on property taxes | | | | 0 | 2,754 | 2,754 |
| Service accounts | 188,381 | | | 188,381 | | 188,381 |
| Accrued interest | 6,904 | 21,038 | | 27,942 | | 27,942 |
| Construction advance for joint facilities, Note 9 | 30,050 | | | 30,050 | | 30,050 |
| Maintenance and park and rec. taxes collected not yet transferred from other fund | 12,897 | | | 12,897 | (12,897) | 0 |
| Operating reserve at joint facilities, Note 9 | 27,871 | | | 27,871 | | 27,871 |
| Capital assets, net of accumulated depreciation, Note 4: | | | | | | |
| Capital assets not being depreciated | | | | 0 | 5,095,746 | 5,095,746 |
| Depreciable capital assets | | | | 0 | 13,968,435 | 13,968,435 |
| Total assets | <u>\$5,120,274</u> | <u>\$1,976,091</u> | <u>\$ 614,289</u> | <u>\$ 7,710,654</u> | <u>19,054,038</u> | <u>26,764,692</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 198,608 | \$ 5,493 | \$ | \$ 204,101 | | 204,101 |
| Accrued interest payable | | | | 0 | 79,333 | 79,333 |
| Customer and builder deposits | 99,898 | | | 99,898 | | 99,898 |
| Maintenance and park and rec. taxes collected not yet transferred to other fund | | 12,897 | | 12,897 | (12,897) | 0 |
| Long-term liabilities, Note 5: | | | | | | |
| Due within one year | | | | 0 | 1,389,405 | 1,389,405 |
| Due in more than one year | | | | 0 | 25,646,914 | 25,646,914 |
| Total liabilities | <u>298,506</u> | <u>18,390</u> | <u>0</u> | <u>316,896</u> | <u>27,102,755</u> | <u>27,419,651</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Property tax revenues | <u>4,049</u> | <u>6,951</u> | <u>0</u> | <u>11,000</u> | <u>(11,000)</u> | <u>0</u> |
| FUND BALANCES / NET POSITION | | | | | | |
| Fund balances: | | | | | | |
| Nonspendable: | | | | | | |
| Operating reserve at joint facilities, Note 9 | 27,871 | | | 27,871 | (27,871) | 0 |
| Assigned to: | | | | | | |
| Debt service | | 1,950,750 | | 1,950,750 | (1,950,750) | 0 |
| Capital projects | | | 614,289 | 614,289 | (614,289) | 0 |
| Unassigned | <u>4,789,848</u> | | | <u>4,789,848</u> | <u>(4,789,848)</u> | <u>0</u> |
| Total fund balances | <u>4,817,719</u> | <u>1,950,750</u> | <u>614,289</u> | <u>7,382,758</u> | <u>(7,382,758)</u> | <u>0</u> |
| Total liabilities, deferred inflows, and fund balances | <u>\$5,120,274</u> | <u>\$1,976,091</u> | <u>\$ 614,289</u> | <u>\$ 7,710,654</u> | | |
| Net position: | | | | | | |
| Invested in capital assets, net of related debt, Note 4 | | | | | (7,972,138) | (7,972,138) |
| Restricted for debt service | | | | | 1,881,122 | 1,881,122 |
| Restricted for capital projects | | | | | 614,289 | 614,289 |
| Unrestricted | | | | | <u>4,821,768</u> | <u>4,821,768</u> |
| Total net position | | | | | <u>\$ (654,959)</u> | <u>\$ (654,959)</u> |

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

OAKMONT PUBLIC UTILITY DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

| | General Fund | Debt Service Fund | Capital Projects Fund | Total | Adjustments (Note 3) | Statement of Activities |
|--|---------------------|-------------------------|-----------------------------|---------------------|-------------------------|-------------------------------|
| REVENUES | | | | | | |
| Property taxes for debt service | \$ | \$ 2,394,908 | \$ | \$ 2,394,908 | \$ 4,192 | \$ 2,399,100 |
| Property taxes for maintenance | 914,495 | | | 914,495 | | 914,495 |
| Property taxes for parks and recreation | 435,441 | | | 435,441 | | 435,441 |
| Water service | 261,392 | | | 261,392 | | 261,392 |
| Sewer service | 487,453 | | | 487,453 | | 487,453 |
| Surface water fees, Note 10 | 670,690 | | | 670,690 | | 670,690 |
| Penalty and interest | 15,352 | 9,761 | | 25,113 | 1,346 | 26,459 |
| Interest on deposits | 71,137 | 40,482 | 1,288 | 112,907 | | 112,907 |
| Other revenues | 30,630 | | | 30,630 | | 30,630 |
| Total revenues | 2,886,590 | 2,445,151 | 1,288 | 5,333,029 | 5,538 | 5,338,567 |
| EXPENDITURES / EXPENSES | | | | | | |
| Service operations: | | | | | | |
| Purchased services, Note 9 | 282,973 | | | 282,973 | | 282,973 |
| Professional fees | 123,042 | 1,162 | | 124,204 | | 124,204 |
| Contracted services | 86,814 | 50,733 | | 137,547 | | 137,547 |
| Utilities | 56,917 | | | 56,917 | | 56,917 |
| Surface water pumpage fees, Note 10 | 650,621 | | | 650,621 | | 650,621 |
| Repairs and maintenance | 196,613 | | | 196,613 | | 196,613 |
| Other operating expenditures | 25,423 | | | 25,423 | | 25,423 |
| Recreation facilities | 339,927 | | | 339,927 | | 339,927 |
| Garbage disposal | 223,030 | | | 223,030 | | 223,030 |
| Administrative expenditures | 56,838 | 4,879 | | 61,717 | | 61,717 |
| Depreciation | | | | 0 | 700,366 | 700,366 |
| Capital outlay / non-capital outlay | 101,027 | | | 101,027 | (99,477) | 1,550 |
| Debt service: | | | | | | |
| Principal retirement | | 1,440,000 | | 1,440,000 | (1,440,000) | 0 |
| Interest and fees | | 982,345 | | 982,345 | 119,803 | 1,102,148 |
| Total expenditures / expenses | 2,143,225 | 2,479,119 | 0 | 4,622,344 | (719,308) | 3,903,036 |
| Excess (deficiency) of revenues over expenditures | 743,365 | (33,968) | 1,288 | 710,685 | 724,846 | 1,435,531 |
| Net change in fund balances / net position | 743,365 | (33,968) | 1,288 | 710,685 | 724,846 | 1,435,531 |
| Beginning of year | 4,074,354 | 1,984,718 | 613,001 | 6,672,073 | (8,762,563) | (2,090,490) |
| End of year | <u>\$ 4,817,719</u> | <u>\$ 1,950,750</u> | <u>\$ 614,289</u> | <u>\$ 7,382,758</u> | <u>\$ (8,037,717)</u> | <u>\$ (654,959)</u> |

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

OAKMONT PUBLIC UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1: REPORTING ENTITY

Oakmont Public Utility District (the "District") was created by Acts of the 62nd Legislature of the State of Texas, Regular Session, 1971, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on September 2, 1971, and the first bonds were sold on October 25, 2005. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

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

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

Interfund Activity

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

Receivables

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

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

Capital Assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

| | |
|----------------------------|-------------|
| Buildings and improvements | 40 years |
| Recreation equipment | 5-10 years |
| Plant and equipment | 10-45 years |
| Underground lines | 45 years |

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

| | | |
|---|------------------|---------------------|
| Total fund balances, end of year | | \$ 7,382,758 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds: | | |
| Total capital assets, net | | 19,064,181 |
| Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds: | | |
| Bonds payable | \$ (27,210,000) | |
| Deferred charge on refunding (to be amortized as interest expense) | 857,199 | |
| Issuance (premium) discount (to be amortized as interest expense) | <u>(683,518)</u> | (27,036,319) |
| Some receivables that do not provide current financial resources are not reported as receivables in the funds: | | |
| Accrued penalty and interest on property taxes receivable | 2,754 | |
| Uncollected property taxes | <u>11,000</u> | 13,754 |
| Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds: | | |
| Accrued interest | | <u>(79,333)</u> |
| Net position, end of year | | <u>\$ (654,959)</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

| | | |
|--|------------------|---------------------|
| Total net change in fund balances | | \$ 710,685 |
| <p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p> | | |
| Capital outlay | \$ 99,477 | |
| Depreciation | <u>(700,366)</u> | (600,889) |
| <p>The issuance of long-term debt (bonds and bond anticipation notes payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p> | | |
| Principal reduction | | 1,440,000 |
| <p>The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p> | | |
| Refunding charges | (111,279) | |
| Issuance discount, net of premium | <u>(11,572)</u> | (122,851) |
| <p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p> | | |
| Accrued penalty and interest on property taxes receivable | 1,346 | |
| Uncollected property taxes | <u>4,192</u> | 5,538 |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:</p> | | |
| Accrued interest | | <u>3,048</u> |
| Change in net position | | <u>\$ 1,435,531</u> |

NOTE 4: CAPITAL ASSETS

At September 30, 2019, "Invested in capital assets, net of related debt" was \$(7,972,138). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended September 30, 2019, was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,064,039 | \$ | \$ | \$ 2,064,039 |
| Detention ponds | <u>3,031,707</u> | | | <u>3,031,707</u> |
| Total capital assets not being depreciated | <u>5,095,746</u> | <u>0</u> | <u>0</u> | <u>5,095,746</u> |
| Depreciable capital assets: | | | | |
| Buildings and improvements | 5,215,692 | | | 5,215,692 |
| Recreation equipment | 238,022 | 90,239 | | 328,261 |
| Water system | 7,047,377 | 9,238 | | 7,056,615 |
| Sewer system | <u>7,691,966</u> | | | <u>7,691,966</u> |
| Total depreciable capital assets | <u>20,193,057</u> | <u>99,477</u> | <u>0</u> | <u>20,292,534</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (1,474,252) | (214,431) | | (1,688,683) |
| Recreation equipment | (105,210) | (23,781) | | (128,991) |
| Water system | (2,262,017) | (250,493) | | (2,512,510) |
| Sewer system | <u>(1,782,254)</u> | <u>(211,661)</u> | | <u>(1,993,915)</u> |
| Total accumulated depreciation | <u>(5,623,733)</u> | <u>(700,366)</u> | <u>0</u> | <u>(6,324,099)</u> |
| Total depreciable capital assets, net | <u>14,569,324</u> | <u>(600,889)</u> | <u>0</u> | <u>13,968,435</u> |
| Total capital assets, net | <u>\$ 19,665,070</u> | <u>\$ (600,889)</u> | <u>\$ 0</u> | <u>\$ 19,064,181</u> |
| Changes to capital assets: | | | | |
| Capital outlay | | \$ 99,477 | \$ | |
| Less depreciation expense for the fiscal year | | <u>(700,366)</u> | | |
| Net increases / decreases to capital assets | | <u>\$ (600,889)</u> | <u>\$ 0</u> | |

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended September 30, 2019, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due within One Year</u> |
|-----------------------------------|------------------------------|------------------|---------------------|---------------------------|--------------------------------|
| Bonds payable | \$ 28,650,000 | \$ | \$ 1,440,000 | \$ 27,210,000 | \$ 1,495,000 |
| Deferred amounts: | | | | | |
| For issuance (discounts) premiums | 671,946 | | (11,572) | 683,518 | 2,587 |
| For refunding | <u>(968,478)</u> | | <u>(111,279)</u> | <u>(857,199)</u> | <u>(108,182)</u> |
| Total bonds payable | <u>28,353,468</u> | <u>0</u> | <u>1,317,149</u> | <u>27,036,319</u> | <u>1,389,405</u> |
| Total long-term liabilities | <u>\$ 28,353,468</u> | <u>\$ 0</u> | <u>\$ 1,317,149</u> | <u>\$ 27,036,319</u> | <u>\$ 1,389,405</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Developer Construction Commitments and Liabilities

At September 30, 2019, there were no developer construction commitments or liabilities.

As of September 30, 2019, the debt service requirements on the bonds payable were as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------|----------------------|---------------------|----------------------|
| 2020 | \$ 1,495,000 | \$ 936,620 | \$ 2,431,620 |
| 2021 | 1,540,000 | 892,257 | 2,432,257 |
| 2022 | 1,605,000 | 845,104 | 2,450,104 |
| 2023 | 1,650,000 | 796,186 | 2,446,186 |
| 2024 | 1,720,000 | 742,856 | 2,462,856 |
| 2025 - 2029 | 9,715,000 | 2,723,407 | 12,438,407 |
| 2030 - 2034 | 7,890,000 | 848,215 | 8,738,215 |
| 2035 - 2039 | <u>1,595,000</u> | <u>111,464</u> | <u>1,706,464</u> |
| | <u>\$ 27,210,000</u> | <u>\$ 7,896,109</u> | <u>\$ 35,106,109</u> |

| | |
|------------------------------------|---------------|
| Bonds voted | \$ 50,000,000 |
| Bonds approved for sale and sold | 33,320,000 |
| Bonds voted and not issued | 16,680,000 |
| Parks and recreational bonds voted | 10,000,000 |
| Bonds approved for sale and sold | 2,470,000 |
| Bonds voted and not issued | 7,530,000 |
| Refunding bonds voted | 49,980,000 |
| Bonds approved for sale and sold | 1,310,000 |
| Bonds voted and not issued | 48,670,000 |

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

The bond issues payable at September 30, 2019, were as follows:

| | <u>Series 2010</u> | <u>Series 2011</u> | <u>Series 2012</u> |
|--|---------------------|---------------------|---------------------|
| Amounts outstanding, September 30, 2019 | \$320,000 | \$410,000 | \$2,655,000 |
| Interest rates | 4.00% | 3.75% to 4.10% | 3.25% to 3.50% |
| Maturity dates, serially beginning/ending | March 1, 2020/2021 | March 1, 2020/2022 | March 1, 2020/2037 |
| Interest payment dates | March 1/September 1 | March 1/September 1 | March 1/September 1 |
| Callable dates | March 1, 2018* | March 1, 2019* | March 1, 2020* |

*Or any date thereafter, in whole or in part, callable at par plus unpaid accrued interest to the date fixed for redemption.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | <u>Series 2013</u> | <u>Refunding Series 2014</u> | <u>Refunding Series 2014A</u> |
|--|-----------------------------------|----------------------------------|-----------------------------------|
| Amounts outstanding, September 30, 2019 | \$1,405,000 | \$5,400,000 | \$3,830,000 |
| Interest rates | 4.00% to 5.00% | 2.00% to 4.125% | 2.00% to 3.375% |
| Maturity dates, serially beginning/ending | March 1, 2020/2038 | March 1, 2020/2032 | March 1, 2020/2032 |
| Interest payment dates | March 1/September 1 | March 1/September 1 | March 1/September 1 |
| Callable dates | March 1, 2021* | March 1, 2022* | March 1, 2023* |
| | <u>Park Bonds Series 2014</u> | <u>Refunding Series 2015</u> | <u>Refunding Series 2016</u> |
| Amounts outstanding, September 30, 2019 | \$2,130,000 | \$6,440,000 | \$4,620,000 |
| Interest rates | 3.00% to 3.75% | 3.00% to 4.00% | 2.00% to 4.00% |
| Maturity dates, serially beginning/ending | March 1, 2020/2038 | March 1, 2020/2032 | March 1, 2020/2033 |
| Interest payment dates | March 1/September 1 | March 1/September 1 | March 1/September 1 |
| Callable dates | March 1, 2023* | March 1, 2023* | March 1, 2026* |

*Or any date thereafter, in whole or in part, callable at par plus unpaid accrued interest to the date fixed for redemption.

NOTE 6: PROPERTY TAXES

The Harris County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and are not delinquent until after the following January 30. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

At an election held February 7, 2004, the voters within the District authorized a maintenance tax not to exceed \$1.35 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the general fund to pay expenditures of operating the District.

At an election held February 7, 2004, the voters within the District authorized a parks and recreation tax not to exceed \$0.10 per \$100 valuation on all property subject to taxation within the District

NOTES TO THE FINANCIAL STATEMENTS (Continued)

On October 11, 2018, the District levied the following ad valorem taxes for the 2018 tax year on the adjusted taxable valuation of \$435,950,301:

| | <u>Rate</u> | <u>Amount</u> |
|----------------|------------------|---------------------|
| Debt service | \$ 0.5500 | \$ 2,397,974 |
| Maintenance | 0.2100 | 915,590 |
| Parks and rec. | <u>0.1000</u> | <u>435,995</u> |
| | <u>\$ 0.8600</u> | <u>\$ 3,749,559</u> |

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

| | |
|--|---------------------|
| 2018 tax year total property tax levy | \$ 3,749,559 |
| Appraisal district adjustments to prior year taxes | <u>(523)</u> |
| Statement of Activities property tax revenues | <u>\$ 3,749,036</u> |

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

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

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

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$7,412,513 and the bank balance was \$7,415,557. Of the bank balance, \$2,119,014, was covered by federal insurance, \$4,296,543 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Atlanta and \$1,000,000 was covered by the market value of collateral held by the District's custodial bank in the District's name. The market value of collateral was reported to the District by the depository.

Deposits restricted by state statutes and the Bond Orders:

Debt Service Fund

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

| | |
|-------------------------|---------------------|
| Cash | \$ 88,102 |
| Certificates of deposit | <u>1,860,000</u> |
| | <u>\$ 1,948,102</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital Projects Fund

For construction of capital assets:

| | |
|------|-------------------|
| Cash | <u>\$ 614,289</u> |
|------|-------------------|

NOTE 8: RISK MANAGEMENT

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

At September 30, 2019, the District had physical damage and boiler and machinery coverage of \$6,310,000, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, pollution liability coverage of \$1,000,000, umbrella liability coverage of \$1,000,000, worker’s compensation coverage of \$1,000,000, consultant’s crime coverage of \$250,000 and a tax assessor-collector bond of \$10,000.

NOTE 9: CONTRACT WITH OTHER DISTRICT

On June 15, 1993, as amended October 8, 2009 and June 11, 2015, the District, Northampton Municipal Utility District (“Northampton”) and Klein Independent School District entered into an agreement to share a 1,150,000 gallon per day wastewater treatment facility. The term of the contract is forty years. The District owns 25.71% of the capacity of the facility. Northampton is the operator and manager of the facilities. Expansion costs of the facilities are to be funded by the contribution of funds from each participating district. The facilities issues no debt.

Participants are billed a monthly amount which is equal to the actual costs incurred during the prior month divided according to percentage of ownership and volume delivered to the facilities. During the fiscal year ended September 30, 2019, the District accrued \$282,973 for its share of facilities expenditures. At this date the District had contributed \$27,871 of the facilities’ operating reserve and advanced \$30,050 for capital improvements.

NOTE 10: REGIONAL WATER AUTHORITY FEES

The North Harris County Regional Water Authority (the "Authority") was created by House Bill 2965, Acts of the 76th Legislature, Regular Session 1999, and was confirmed by an election held on January 15, 2000. The Authority is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Authority is empowered to, among other powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, as of September 30, 2019, the Authority had established a well pumpage fee of \$3.85 per 1,000 gallons of water pumped from each regulated well. The District's well pumpage fees payable to the Authority for the fiscal year ended September 30, 2019, were \$650,621. The District billed its customers \$670,690 during the fiscal year to pay for the fees charged by the Authority.

OAKMONT PUBLIC UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with |
|---|-------------------------|---------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Property taxes for maintenance | \$ 896,300 | \$ 896,300 | \$ 914,495 | \$ 18,195 |
| Property taxes for parks and recreation | 426,800 | 426,800 | 435,441 | 8,641 |
| Water service | 290,000 | 290,000 | 261,392 | (28,608) |
| Sewer service | 464,000 | 467,300 | 487,453 | 20,153 |
| Surface water fees | 750,000 | 750,000 | 670,690 | (79,310) |
| Penalty | 18,900 | 18,900 | 15,352 | (3,548) |
| Interest on deposits | 12,000 | 12,000 | 71,137 | 59,137 |
| Other revenues | <u>25,100</u> | <u>25,100</u> | <u>30,630</u> | <u>5,530</u> |
| TOTAL REVENUES | <u>2,883,100</u> | <u>2,886,400</u> | <u>2,886,590</u> | <u>190</u> |
| EXPENDITURES | | | | |
| Service operations: | | | | |
| Purchased services | 200,000 | 200,000 | 282,973 | 82,973 |
| Professional fees | 143,200 | 143,200 | 123,042 | (20,158) |
| Contracted services | 87,600 | 87,600 | 86,814 | (786) |
| Utilities | 61,200 | 61,200 | 56,917 | (4,283) |
| Surface water pumpage fees | 750,000 | 750,000 | 650,621 | (99,379) |
| Repairs and maintenance | 327,063 | 313,192 | 196,613 | (116,579) |
| Other operating expenditures | 32,200 | 26,050 | 25,423 | (627) |
| Recreation facilities | 397,245 | 401,700 | 339,927 | (61,773) |
| Garbage disposal | 224,815 | 222,300 | 223,030 | 730 |
| Administrative expenditures | 70,900 | 91,200 | 56,838 | (34,362) |
| Capital outlay | <u>507,000</u> | <u>231,000</u> | <u>101,027</u> | <u>(129,973)</u> |
| TOTAL EXPENDITURES | <u>2,801,223</u> | <u>2,527,442</u> | <u>2,143,225</u> | <u>(384,217)</u> |
| EXCESS REVENUES (EXPENDITURES) | 81,877 | 358,958 | 743,365 | 384,407 |
| FUND BALANCE, BEGINNING OF YEAR | <u>4,074,354</u> | <u>4,074,354</u> | <u>4,074,354</u> | <u>0</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 4,156,231</u> | <u>\$ 4,433,312</u> | <u>\$ 4,817,719</u> | <u>\$ 384,407</u> |

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

See accompanying independent auditor's report.

OAKMONT PUBLIC UTILITY DISTRICT
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
SEPTEMBER 30, 2019

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

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

OAKMONT PUBLIC UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES
SEPTEMBER 30, 2019

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

- | | | |
|---|---|-------------------------------------|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input 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 1000 Gallons Over Minimum | Usage Levels |
|-------------|-------------------|--------------------|---------------------|--|---|
| WATER: | \$13.50 | 10,000 | N | \$1.00 1.15 1.35 | 10,001 to 20,000 20,001 to 35,000 Over 35,000 |
| WASTEWATER: | \$35.37 | | Y | | |
| SURCHARGE: | \$4.24 | Surface water fees | | | |

District employs winter averaging for wastewater usage: Yes No

Total charges per 10,000 gallons usage: Water: \$13.50 Wastewater: \$35.37 Surcharge: \$42.40

OAKMONT PUBLIC UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES (Continued)
SEPTEMBER 30, 2019

b. Water and Wastewater Retail Connections (unaudited):

| <u>Meter Size</u> | <u>Total Connections</u> | <u>Active Connections</u> | <u>ESFC* Factor</u> | <u>Active ESFCs</u> |
|-------------------|--------------------------|---------------------------|---------------------|---------------------|
| Unmetered | 0 | 0 | 1.0 | 0 |
| < or = 3/4" | 952 | 950 | 1.0 | 950 |
| 1" | 197 | 197 | 2.5 | 493 |
| 1-1/2" | 0 | 0 | 5.0 | 0 |
| 2" | 14 | 14 | 8.0 | 112 |
| 3" | 0 | 0 | 15.0 | 0 |
| 4" | 0 | 0 | 25.0 | 0 |
| 6" | 0 | 0 | 50.0 | 0 |
| 8" | 1 | 1 | 80.0 | 80 |
| 10" | 0 | 0 | 115.0 | 0 |
| Total Water | <u>1,164</u> | <u>1,162</u> | | <u>1,635</u> |
| Total Wastewater | <u>1,146</u> | <u>1,144</u> | 1.0 | <u>1,144</u> |

*Single family equivalents

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

Gallons pumped into system (unaudited): 170,840
 Gallons billed to customers (unaudited): 167,399

Water Accountability Ratio
 (Gallons billed/ gallons pumped): 98%

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

Does the District have Debt Service standby fees? Yes No

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

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

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

OAKMONT PUBLIC UTILITY DISTRICT
EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Totals (Memorandum Only)</u> |
|-------------------------------|-------------------------|----------------------------------|--------------------------------------|---|
| CURRENT | | | | |
| Purchased sewer services | \$ 282,973 | \$ 0 | \$ 0 | \$ 282,973 |
| Professional fees: | | | | |
| Auditing | 10,950 | | | 10,950 |
| Legal | 53,292 | 1,162 | | 54,454 |
| Engineering | 58,800 | | | 58,800 |
| | <u>123,042</u> | <u>1,162</u> | <u>0</u> | <u>124,204</u> |
| Contracted services: | | | | |
| Bookkeeping | 15,349 | | | 15,349 |
| Operation and billing | 71,465 | | | 71,465 |
| Tax assessor-collector | | 22,951 | | 22,951 |
| Central appraisal district | | 27,782 | | 27,782 |
| | <u>86,814</u> | <u>50,733</u> | <u>0</u> | <u>137,547</u> |
| Utilities | <u>56,917</u> | <u>0</u> | <u>0</u> | <u>56,917</u> |
| Surface water pumpage fees | <u>650,621</u> | <u>0</u> | <u>0</u> | <u>650,621</u> |
| Repairs and maintenance | <u>196,613</u> | <u>0</u> | <u>0</u> | <u>196,613</u> |
| Other operating expenditures: | | | | |
| Chemicals | 10,177 | | | 10,177 |
| Laboratory costs | 3,671 | | | 3,671 |
| Reconnection costs | 7,104 | | | 7,104 |
| TCEQ assessment | 3,631 | | | 3,631 |
| Other | 840 | | | 840 |
| | <u>25,423</u> | <u>0</u> | <u>0</u> | <u>25,423</u> |
| Recreation facilities: | | | | |
| Recreation center management | 132,825 | | | 132,825 |
| Pool management fees | 51,567 | | | 51,567 |
| Landscape Architect | 33,091 | | | 33,091 |
| Engineering fees | 21,868 | | | 21,868 |
| Repairs and maintenance | 15,412 | | | 15,412 |
| Pool maintenance | 22,014 | | | 22,014 |
| Landscape maintenance | 14,695 | | | 14,695 |
| Supplies | 20,215 | | | 20,215 |
| Telephone | 4,566 | | | 4,566 |
| Utilities | 13,778 | | | 13,778 |
| Insurance | 9,336 | | | 9,336 |
| Other | 560 | | | 560 |
| | <u>339,927</u> | <u>0</u> | <u>0</u> | <u>339,927</u> |

See accompanying independent auditor's report.

OAKMONT PUBLIC UTILITY DISTRICT
EXPENDITURES (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Totals (Memorandum Only)</u> |
|------------------------------|-------------------------|----------------------------------|--------------------------------------|---|
| CURRENT | | | | |
| Garbage disposal | \$ 223,030 | \$ 0 | \$ 0 | \$ 223,030 |
| Administrative expenditures: | | | | |
| Director's fees | 23,700 | | | 23,700 |
| Insurance | 15,757 | 50 | | 15,807 |
| Permit fees | 2,793 | | | 2,793 |
| Other | 14,588 | 4,829 | | 19,417 |
| | <u>56,838</u> | <u>4,879</u> | <u>0</u> | <u>61,717</u> |
| CAPITAL OUTLAY | | | | |
| Authorized expenditures | <u>101,027</u> | <u>0</u> | <u>0</u> | <u>101,027</u> |
| DEBT SERVICE | | | | |
| Principal retirement | <u>0</u> | <u>1,440,000</u> | <u>0</u> | <u>1,440,000</u> |
| Interest and fees: | | | | |
| Interest | | 975,651 | | 975,651 |
| Paying agent fees | | 6,694 | | 6,694 |
| | <u>0</u> | <u>982,345</u> | <u>0</u> | <u>982,345</u> |
| TOTAL EXPENDITURES | <u>\$ 2,143,225</u> | <u>\$ 2,479,119</u> | <u>\$ 0</u> | <u>\$ 4,622,344</u> |

See accompanying independent auditor's report.

OAKMONT PUBLIC UTILITY DISTRICT
ANALYSIS OF CHANGES IN DEPOSITS
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Totals (Memorandum Only)</u> |
|--|-------------------------|----------------------------------|--------------------------------------|---|
| SOURCES OF DEPOSITS | | | | |
| Cash receipts from revenues excluding maintenance and park and rec. taxes | \$ 1,499,943 | \$ 2,426,391 | \$ 1,288 | \$ 3,927,622 |
| Maintenance and park and rec. tax receipts | | 1,349,937 | | 1,349,937 |
| Maintenance and park and rec. tax transfers | 1,347,062 | | | 1,347,062 |
| Taxpayer overpayments | | <u>5,360</u> | | <u>5,360</u> |
| TOTAL DEPOSITS | <u>2,847,005</u> | <u>3,781,688</u> | <u>1,288</u> | <u>6,629,981</u> |
| APPLICATIONS OF DEPOSITS | | | | |
| Cash disbursements for: | | | | |
| Current expenditures | 2,031,779 | 55,687 | | 2,087,466 |
| Capital outlay | 101,027 | | | 101,027 |
| Debt service | | 2,422,345 | | 2,422,345 |
| Decrease in customer and builder deposits | 3,441 | | | 3,441 |
| Increase in deposit at joint facilities | 2,051 | | | 2,051 |
| Construction advance for joint facilities | 30,050 | | | 30,050 |
| Transfer of maintenance and park and rec. taxes | | 1,347,062 | | 1,347,062 |
| Refund of taxpayer overpayments | | <u>3,728</u> | | <u>3,728</u> |
| TOTAL DEPOSITS | <u>2,168,348</u> | <u>3,828,822</u> | <u>0</u> | <u>5,997,170</u> |
| INCREASE (DECREASE) IN DEPOSITS | 678,657 | (47,134) | 1,288 | 632,811 |
| DEPOSITS BALANCE, BEGINNING OF YEAR | <u>4,171,465</u> | <u>1,995,236</u> | <u>613,001</u> | <u>6,779,702</u> |
| DEPOSITS BALANCE, END OF YEAR | <u>\$ 4,850,122</u> | <u>\$ 1,948,102</u> | <u>\$ 614,289</u> | <u>\$ 7,412,513</u> |

See accompanying independent auditor's report.

OAKMONT PUBLIC UTILITY DISTRICT
SCHEDULE OF CERTIFICATES OF DEPOSIT
SEPTEMBER 30, 2019

| | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Year End Balance</u> | <u>Accrued Interest Receivable</u> |
|--------------------------|--------------------------|--------------------------|-----------------------------|--|
| GENERAL FUND | | | | |
| Certificates of Deposit | | | | |
| No. 6761655637 | 2.00% | 2/21/20 | \$ 1,750,000 | \$ 4,027 |
| No. 66000784 | 2.00% | 2/19/20 | <u>1,250,000</u> | <u>2,877</u> |
| | | | <u>\$ 3,000,000</u> | <u>\$ 6,904</u> |
| DEBT SERVICE FUND | | | | |
| Certificates of Deposit | | | | |
| No. 3116001492 | 2.00% | 2/21/20 | \$ 245,000 | \$ 537 |
| No. 1002045995 | 2.00% | 2/21/20 | 245,000 | 537 |
| No. 330041547 | 2.54% | 2/21/20 | 545,000 | 8,154 |
| No. 66000539 | 2.50% | 3/19/20 | <u>825,000</u> | <u>11,810</u> |
| | | | <u>\$ 1,860,000</u> | <u>\$ 21,038</u> |
| Total – All Funds | | | <u>\$ 4,860,000</u> | <u>\$ 27,942</u> |

See accompanying independent auditor's report.

OAKMONT PUBLIC UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

| | <u>Maintenance Taxes</u> | <u>Parks and Rec. Taxes</u> | <u>Debt Service Taxes</u> |
|---|------------------------------|-------------------------------------|-----------------------------------|
| RECEIVABLE, BEGINNING OF YEAR | \$ 1,808 | \$ 780 | \$ 4,220 |
| Additions and corrections to prior year taxes | <u>(124)</u> | <u>(64)</u> | <u>(335)</u> |
| Adjusted receivable, beginning of year | 1,684 | 716 | 3,885 |
| 2018 ADJUSTED TAX ROLL | <u>915,590</u> | <u>435,995</u> | <u>2,397,974</u> |
| Total to be accounted for | 917,274 | 436,711 | 2,401,859 |
| Tax collections: Current tax year | (913,919) | (435,200) | (2,393,598) |
| Prior tax years | <u>(576)</u> | <u>(241)</u> | <u>(1,310)</u> |
| RECEIVABLE, END OF YEAR | <u>\$ 2,779</u> | <u>\$ 1,270</u> | <u>\$ 6,951</u> |
| RECEIVABLE, BY TAX YEAR | | | |
| 2014 | \$ 18 | \$ 6 | \$ 40 |
| 2015 | 19 | 6 | 33 |
| 2016 | 45 | 17 | 93 |
| 2017 | 1,026 | 446 | 2,409 |
| 2018 | <u>1,671</u> | <u>795</u> | <u>4,376</u> |
| RECEIVABLE, END OF YEAR | <u>\$ 2,779</u> | <u>\$ 1,270</u> | <u>\$ 6,951</u> |

See accompanying independent auditor's report.

OAKMONT PUBLIC UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

| ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| Land | \$ 88,143,680 | \$ 88,143,680 | \$ 85,911,367 | \$ 85,509,215 |
| Improvements | 353,656,500 | 368,872,020 | 375,287,915 | 366,358,613 |
| Personal property | 3,418,945 | 3,710,366 | 5,630,049 | 5,926,822 |
| Less exemptions | <u>(9,268,824)</u> | <u>(9,644,072)</u> | <u>(11,655,941)</u> | <u>(25,563,745)</u> |
| TOTAL PROPERTY VALUATIONS | <u>\$ 435,950,301</u> | <u>\$ 451,081,994</u> | <u>\$ 455,173,390</u> | <u>\$ 432,230,905</u> |
| | | | | |
| TAX RATES PER \$100 VALUATION | | | | |
| Debt service tax rates | \$ 0.55000 | \$ 0.54000 | \$ 0.54000 | \$ 0.57000 |
| Parks and recreation tax rates* | 0.10000 | 0.10000 | 0.10000 | 0.10000 |
| Maintenance tax rates** | <u>0.21000</u> | <u>0.23000</u> | <u>0.26000</u> | <u>0.33000</u> |
| TOTAL TAX RATES PER \$100 VALUATION | <u>\$ 0.86000</u> | <u>\$ 0.87000</u> | <u>\$ 0.90000</u> | <u>\$ 1.00000</u> |
| | | | | |
| TAX ROLLS | <u>\$ 3,749,559</u> | <u>\$ 3,924,744</u> | <u>\$ 4,096,853</u> | <u>\$ 4,323,475</u> |
| | | | | |
| PERCENT OF TAXES COLLECTED TO TAXES LEVIED | <u>99.8 %</u> | <u>99.9 %</u> | <u>99.9 %</u> | <u>99.9 %</u> |

*Maximum tax rate approved by voters on February 7, 2004: \$0.10.

**Maximum tax rate approved by voters on February 7, 2004: \$1.35.

OAKMONT PUBLIC UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
SEPTEMBER 30, 2019

| <u>Due During Fiscal Years Ending September 30</u> | <u>Series 2010</u> | | |
|--|--------------------------------------|--|-------------------|
| | <u>Principal Due March 1</u> | <u>Interest Due March 1, September 1</u> | <u>Total</u> |
| 2020 | \$ 155,000 | \$ 9,700 | \$ 164,700 |
| 2021 | <u>165,000</u> | <u>3,300</u> | <u>168,300</u> |
| TOTALS | <u>\$ 320,000</u> | <u>\$ 13,000</u> | <u>\$ 333,000</u> |

| <u>Due During Fiscal Years Ending September 30</u> | <u>Series 2011</u> | | |
|--|--------------------------------------|--|-------------------|
| | <u>Principal Due March 1</u> | <u>Interest Due March 1, September 1</u> | <u>Total</u> |
| 2020 | \$ 130,000 | \$ 13,782 | \$ 143,782 |
| 2021 | 135,000 | 8,645 | 143,645 |
| 2022 | <u>145,000</u> | <u>2,973</u> | <u>147,973</u> |
| TOTALS | <u>\$ 410,000</u> | <u>\$ 25,400</u> | <u>\$ 435,400</u> |

See accompanying independent auditor's report.

OAKMONT PUBLIC UTILITY DISTRICT

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

SEPTEMBER 30, 2019

| <u>Due During Fiscal Years Ending September 30</u> | <u>Series 2012</u> | | |
|--|--------------------------------------|--|---------------------|
| | <u>Principal Due March 1</u> | <u>Interest Due March 1, September 1</u> | <u>Total</u> |
| 2020 | \$ 100,000 | \$ 86,863 | \$ 186,863 |
| 2021 | 105,000 | 83,531 | 188,531 |
| 2022 | 105,000 | 80,119 | 185,119 |
| 2023 | 110,000 | 76,625 | 186,625 |
| 2024 | 115,000 | 72,969 | 187,969 |
| 2025 | 125,000 | 69,162 | 194,162 |
| 2026 | 130,000 | 65,210 | 195,210 |
| 2027 | 135,000 | 61,102 | 196,102 |
| 2028 | 140,000 | 56,700 | 196,700 |
| 2029 | 145,000 | 51,998 | 196,998 |
| 2030 | 155,000 | 47,047 | 202,047 |
| 2031 | 160,000 | 41,850 | 201,850 |
| 2032 | 170,000 | 36,405 | 206,405 |
| 2033 | 175,000 | 30,538 | 205,538 |
| 2034 | 185,000 | 24,238 | 209,238 |
| 2035 | 190,000 | 17,675 | 207,675 |
| 2036 | 200,000 | 10,850 | 210,850 |
| 2037 | 210,000 | 3,675 | 213,675 |
| TOTALS | <u>\$ 2,655,000</u> | <u>\$ 916,557</u> | <u>\$ 3,571,557</u> |

See accompanying independent auditor's report.

OAKMONT PUBLIC UTILITY DISTRICT

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

SEPTEMBER 30, 2019

| <u>Due During Fiscal Years Ending September 30</u> | <u>Series 2013</u> | | |
|--|--------------------------------------|--|---------------------|
| | <u>Principal Due March 1</u> | <u>Interest Due March 1, September 1</u> | <u>Total</u> |
| 2020 | \$ 50,000 | \$ 56,956 | \$ 106,956 |
| 2021 | 50,000 | 54,456 | 104,456 |
| 2022 | 55,000 | 52,106 | 107,106 |
| 2023 | 55,000 | 49,906 | 104,906 |
| 2024 | 60,000 | 47,606 | 107,606 |
| 2025 | 60,000 | 45,207 | 105,207 |
| 2026 | 65,000 | 42,706 | 107,706 |
| 2027 | 65,000 | 40,106 | 105,106 |
| 2028 | 70,000 | 37,406 | 107,406 |
| 2029 | 70,000 | 34,606 | 104,606 |
| 2030 | 75,000 | 31,659 | 106,659 |
| 2031 | 80,000 | 28,463 | 108,463 |
| 2032 | 80,000 | 25,163 | 105,163 |
| 2033 | 85,000 | 21,759 | 106,759 |
| 2034 | 90,000 | 18,150 | 108,150 |
| 2035 | 95,000 | 14,334 | 109,334 |
| 2036 | 95,000 | 10,416 | 105,416 |
| 2037 | 100,000 | 6,395 | 106,395 |
| 2038 | 105,000 | 2,166 | 107,166 |
| TOTALS | <u>\$ 1,405,000</u> | <u>\$ 619,566</u> | <u>\$ 2,024,566</u> |

See accompanying independent auditor's report.

OAKMONT PUBLIC UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
SEPTEMBER 30, 2019

| <u>Due During Fiscal Years Ending September 30</u> | <u>Series 2014</u> | | |
|--|--------------------------------------|--|----------------------------|
| | <u>Principal Due March 1</u> | <u>Interest Due March 1, September 1</u> | <u>Total</u> |
| 2020 | \$ 355,000 | \$ 193,238 | \$ 548,238 |
| 2021 | 355,000 | 185,250 | 540,250 |
| 2022 | 365,000 | 175,337 | 540,337 |
| 2023 | 375,000 | 164,237 | 539,237 |
| 2024 | 385,000 | 150,912 | 535,912 |
| 2025 | 400,000 | 135,212 | 535,212 |
| 2026 | 410,000 | 119,012 | 529,012 |
| 2027 | 425,000 | 102,312 | 527,312 |
| 2028 | 435,000 | 85,112 | 520,112 |
| 2029 | 455,000 | 67,312 | 522,312 |
| 2030 | 470,000 | 48,812 | 518,812 |
| 2031 | 480,000 | 29,812 | 509,812 |
| 2032 | 490,000 | 10,106 | 500,106 |
| TOTALS | <u>\$ 5,400,000</u> | <u>\$ 1,466,664</u> | <u>\$ 6,866,664</u> |

See accompanying independent auditor's report.

OAKMONT PUBLIC UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
SEPTEMBER 30, 2019

| <u>Due During Fiscal Years Ending September 30</u> | <u>Series 2014A</u> | | |
|--|--------------------------------------|--|----------------------------|
| | <u>Principal Due March 1</u> | <u>Interest Due March 1, September 1</u> | <u>Total</u> |
| 2020 | \$ 235,000 | \$ 111,881 | \$ 346,881 |
| 2021 | 245,000 | 106,775 | 351,775 |
| 2022 | 250,000 | 100,894 | 350,894 |
| 2023 | 260,000 | 93,868 | 353,868 |
| 2024 | 270,000 | 85,919 | 355,919 |
| 2025 | 280,000 | 77,668 | 357,668 |
| 2026 | 290,000 | 69,119 | 359,119 |
| 2027 | 300,000 | 60,269 | 360,269 |
| 2028 | 310,000 | 50,925 | 360,925 |
| 2029 | 325,000 | 40,800 | 365,800 |
| 2030 | 340,000 | 29,994 | 369,994 |
| 2031 | 355,000 | 18,478 | 373,478 |
| 2032 | 370,000 | 6,244 | 376,244 |
| TOTALS | <u>\$ 3,830,000</u> | <u>\$ 852,834</u> | <u>\$ 4,682,834</u> |

See accompanying independent auditor's report.

OAKMONT PUBLIC UTILITY DISTRICT

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

SEPTEMBER 30, 2019

| | Series 2014 Park | | |
|--|--------------------------------------|--|---------------------|
| <u>Due During Fiscal Years Ending September 30</u> | <u>Principal Due March 1</u> | <u>Interest Due March 1, September 1</u> | <u>Total</u> |
| 2020 | \$ 75,000 | \$ 69,350 | \$ 144,350 |
| 2021 | 75,000 | 67,475 | 142,475 |
| 2022 | 80,000 | 65,150 | 145,150 |
| 2023 | 85,000 | 62,675 | 147,675 |
| 2024 | 90,000 | 60,050 | 150,050 |
| 2025 | 90,000 | 57,350 | 147,350 |
| 2026 | 95,000 | 54,575 | 149,575 |
| 2027 | 100,000 | 51,650 | 151,650 |
| 2028 | 105,000 | 48,575 | 153,575 |
| 2029 | 110,000 | 45,213 | 155,213 |
| 2030 | 115,000 | 41,556 | 156,556 |
| 2031 | 120,000 | 37,663 | 157,663 |
| 2032 | 125,000 | 33,528 | 158,528 |
| 2033 | 130,000 | 29,144 | 159,144 |
| 2034 | 135,000 | 24,506 | 159,506 |
| 2035 | 140,000 | 19,606 | 159,606 |
| 2036 | 145,000 | 14,441 | 159,441 |
| 2037 | 155,000 | 8,906 | 163,906 |
| 2038 | 160,000 | 3,000 | 163,000 |
| TOTALS | <u>\$ 2,130,000</u> | <u>\$ 794,413</u> | <u>\$ 2,924,413</u> |

See accompanying independent auditor's report.

OAKMONT PUBLIC UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
SEPTEMBER 30, 2019

| <u>Due During Fiscal Years Ending September 30</u> | <u>Series 2015</u> | | |
|--|--------------------------------------|--|----------------------------|
| | <u>Principal Due March 1</u> | <u>Interest Due March 1, September 1</u> | <u>Total</u> |
| 2020 | \$ 390,000 | \$ 220,700 | \$ 610,700 |
| 2021 | 405,000 | 208,775 | 613,775 |
| 2022 | 425,000 | 196,325 | 621,325 |
| 2023 | 435,000 | 183,425 | 618,425 |
| 2024 | 450,000 | 170,150 | 620,150 |
| 2025 | 470,000 | 154,000 | 624,000 |
| 2026 | 490,000 | 137,250 | 627,250 |
| 2027 | 510,000 | 122,250 | 632,250 |
| 2028 | 525,000 | 104,100 | 629,100 |
| 2029 | 550,000 | 82,600 | 632,600 |
| 2030 | 575,000 | 60,100 | 635,100 |
| 2031 | 595,000 | 36,700 | 631,700 |
| 2032 | 620,000 | 12,400 | 632,400 |
| TOTALS | <u>\$ 6,440,000</u> | <u>\$ 1,688,775</u> | <u>\$ 8,128,775</u> |

See accompanying independent auditor's report.

OAKMONT PUBLIC UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
SEPTEMBER 30, 2019

| <u>Due During Fiscal Years Ending September 30</u> | <u>Series 2016</u> | | |
|--|--------------------------------------|--|----------------------------|
| | <u>Principal Due March 1</u> | <u>Interest Due March 1, September 1</u> | <u>Total</u> |
| 2020 | \$ 5,000 | \$ 174,150 | \$ 179,150 |
| 2021 | 5,000 | 174,050 | 179,050 |
| 2022 | 180,000 | 172,200 | 352,200 |
| 2023 | 330,000 | 165,450 | 495,450 |
| 2024 | 350,000 | 155,250 | 505,250 |
| 2025 | 370,000 | 142,600 | 512,600 |
| 2026 | 390,000 | 127,400 | 517,400 |
| 2027 | 405,000 | 111,500 | 516,500 |
| 2028 | 425,000 | 94,900 | 519,900 |
| 2029 | 445,000 | 77,500 | 522,500 |
| 2030 | 470,000 | 59,200 | 529,200 |
| 2031 | 490,000 | 40,000 | 530,000 |
| 2032 | 515,000 | 19,900 | 534,900 |
| 2033 | 240,000 | 4,800 | 244,800 |
| TOTALS | <u>\$ 4,620,000</u> | <u>\$ 1,518,900</u> | <u>\$ 6,138,900</u> |

See accompanying independent auditor's report.

OAKMONT PUBLIC UTILITY DISTRICT

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

SEPTEMBER 30, 2019

| <u>Due During Fiscal Years Ending September 30</u> | <u>Annual Requirements for All Series</u> | | |
|--|---|-----------------------------------|----------------------|
| | <u>Total Principal Due</u> | <u>Total Interest Due</u> | <u>Total</u> |
| 2020 | \$ 1,495,000 | \$ 936,620 | \$ 2,431,620 |
| 2021 | 1,540,000 | 892,257 | 2,432,257 |
| 2022 | 1,605,000 | 845,104 | 2,450,104 |
| 2023 | 1,650,000 | 796,186 | 2,446,186 |
| 2024 | 1,720,000 | 742,856 | 2,462,856 |
| 2025 | 1,795,000 | 681,199 | 2,476,199 |
| 2026 | 1,870,000 | 615,272 | 2,485,272 |
| 2027 | 1,940,000 | 549,189 | 2,489,189 |
| 2028 | 2,010,000 | 477,718 | 2,487,718 |
| 2029 | 2,100,000 | 400,029 | 2,500,029 |
| 2030 | 2,200,000 | 318,368 | 2,518,368 |
| 2031 | 2,280,000 | 232,966 | 2,512,966 |
| 2032 | 2,370,000 | 143,746 | 2,513,746 |
| 2033 | 630,000 | 86,241 | 716,241 |
| 2034 | 410,000 | 66,894 | 476,894 |
| 2035 | 425,000 | 51,615 | 476,615 |
| 2036 | 440,000 | 35,707 | 475,707 |
| 2037 | 465,000 | 18,976 | 483,976 |
| 2038 | 265,000 | 5,166 | 270,166 |
| TOTALS | <u>\$ 27,210,000</u> | <u>\$ 7,896,109</u> | <u>\$ 35,106,109</u> |

See accompanying independent auditor's report.

OAKMONT PUBLIC UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

| | <u>(1)</u> | <u>(2)</u> | <u>(3)</u> |
|---|-------------------------|-------------------------|-------------------------|
| Bond Series: | 2010 | 2011 | 2012 |
| Interest Rate: | 4.00% | 3.75% to 4.10% | 3.25% to 3.50% |
| Dates Interest Payable: | March 1/ September 1 | March 1/ September 1 | March 1/ September 1 |
| Maturity Dates: | March 1, 2020/2021 | March 1, 2020/2022 | March 1, 2020/2037 |
| Bonds Outstanding at Beginning of Current Year | \$ 470,000 | \$ 530,000 | \$ 2,750,000 |
| Less Retirements | <u>(150,000)</u> | <u>(120,000)</u> | <u>(95,000)</u> |
| Bonds Outstanding at End of Current Year | <u>\$ 320,000</u> | <u>\$ 410,000</u> | <u>\$ 2,655,000</u> |
| Current Year Interest Paid: | <u>\$ 15,800</u> | <u>\$ 18,320</u> | <u>\$ 90,031</u> |

Bond Descriptions and Original Amount of Issue

- (1) Oakmont Public Utility District Unlimited Tax Bonds, Series 2010 (\$3,820,000)
- (2) Oakmont Public Utility District Unlimited Tax Bonds, Series 2011 (\$3,360,000)
- (3) Oakmont Public Utility District Unlimited Tax Bonds, Series 2012 (\$3,160,000)

Paying Agent/Registrar

- (1) (2) Wells Fargo Bank, N.A., Houston, Texas
- (3) Regions Bank, Houston, Texas

| <u>Bond Authority</u> | <u>Tax Bonds</u> | <u>Other Bonds</u> | <u>Refunding Bonds</u> |
|------------------------------|------------------|--------------------|------------------------|
| Amount Authorized by Voters: | \$ 50,000,000 | \$ 10,000,000 | \$ 49,980,000 |
| Amount Issued: | 33,320,000 | 2,470,000 | 1,310,000 |
| Remaining to be Issued: | 16,680,000 | 7,530,000 | 48,670,000 |

See accompanying independent auditor's report.

OAKMONT PUBLIC UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

| | <u>(4)</u> | <u>(5)</u> | <u>(6)</u> |
|---|-------------------------|-------------------------|-------------------------|
| Bond Series: | 2013 | 2014 | 2014A |
| Interest Rate: | 4.00% to 5.00% | 2.00% to 4.125% | 2.00% to 3.375% |
| Dates Interest Payable: | March 1/ September 1 | March 1/ September 1 | March 1/ September 1 |
| Maturity Dates: | March 1, 2020/2038 | March 1, 2020/2032 | March 1, 2020/2032 |
| Bonds Outstanding at Beginning of Current Year | \$ 1,450,000 | \$ 5,745,000 | \$ 4,060,000 |
| Less Retirements | <u>(45,000)</u> | <u>(345,000)</u> | <u>(230,000)</u> |
| Bonds Outstanding at End of Current Year | <u>\$ 1,405,000</u> | <u>\$ 5,400,000</u> | <u>\$ 3,830,000</u> |
| Current Year Interest Paid: | <u>\$ 59,332</u> | <u>\$ 200,237</u> | <u>\$ 116,531</u> |

Bond Descriptions and Original Amount of Issue

- (4) Oakmont Public Utility District Unlimited Tax Bonds, Series 2013 (\$1,620,000)
(5) Oakmont Public Utility District Unlimited Tax Refunding Bonds, Series 2014 (\$6,720,000)
(6) Oakmont Public Utility District Unlimited Tax Refunding Bonds, Series 2014A (\$4,835,000)

Paying Agent/Registrar

(4) (5) (6) Regions Bank, Houston, Texas

| | |
|---|-------------|
| Net Debt Service Fund deposits balances as of September 30, 2019: | \$1,950,750 |
| Average annual debt service payment for remaining term of all debt: | 1,847,690 |

See accompanying independent auditor's report.

OAKMONT PUBLIC UTILITY DISTRICTANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)FOR THE YEAR ENDED SEPTEMBER 30, 2019

| | <u>(7)</u> | <u>(8)</u> | <u>(9)</u> | <u>Totals</u> |
|---|-------------------------|-------------------------|-------------------------|----------------------|
| Bond Series: | 2014 Park | 2015 | 2016 | |
| Interest Rate: | 3.00% to 3.75% | 3.00% to 4.00% | 2.00% to 4.00% | |
| Dates Interest Payable: | March 1/ September 1 | March 1/ September 1 | March 1/ September 1 | |
| Maturity Dates: | March 1, 2020/2038 | March 1, 2020/2032 | March 1, 2020/2033 | |
| Bonds Outstanding at Beginning of Current Year | \$ 2,200,000 | \$ 6,820,000 | \$ 4,625,000 | \$ 28,650,000 |
| Less Retirements | <u>(70,000)</u> | <u>(380,000)</u> | <u>(5,000)</u> | <u>(1,440,000)</u> |
| Bonds Outstanding at End of Current Year | <u>\$ 2,130,000</u> | <u>\$ 6,440,000</u> | <u>\$ 4,620,000</u> | <u>\$ 27,210,000</u> |
| Current Year Interest Paid: | <u>\$ 70,800</u> | <u>\$ 230,350</u> | <u>\$ 174,250</u> | <u>\$ 975,651</u> |

Bond Descriptions and Original Amount of Issue

(7) Oakmont Public Utility District Unlimited Tax Park Bonds, Series 2014 (\$2,470,000)

(8) Oakmont Public Utility District Unlimited Tax Refunding Bonds, Series 2015 (\$7,095,000)

(9) Oakmont Public Utility District Unlimited Tax Refunding Bonds, Series 2016 (\$4,935,000)

Paying Agent/Registrar

(7) (8) (9) Regions Bank, Houston, Texas

OAKMONT PUBLIC UTILITY DISTRICT
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND
FOR YEARS ENDED SEPTEMBER 30

| | AMOUNT | | | | | PERCENT OF TOTAL REVENUES | | | | |
|---|--------------------------|--------------------------|---------------------------|----------------------------|----------------------------|---------------------------|----------------------|-----------------------|----------------------|----------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2019 | 2018 | 2017 | 2016 | 2015 |
| REVENUES | | | | | | | | | | |
| Property taxes for maintenance | \$ 914,495 | \$ 1,047,969 | \$ 1,181,281 | \$ 1,423,197 | \$ 1,143,624 | 31.6 % | 34.4 % | 39.1 % | 45.7 % | 42.2 % |
| Property taxes for parks and recreation | 435,441 | 454,548 | 454,433 | 431,322 | 369,330 | 15.1 | 15.0 | 15.1 | 13.9 | 13.7 |
| Water service | 261,392 | 287,337 | 286,056 | 278,882 | 264,703 | 9.1 | 9.5 | 9.5 | 9.0 | 9.8 |
| Sewer service | 487,453 | 466,057 | 464,721 | 461,860 | 461,289 | 16.9 | 15.3 | 15.4 | 14.9 | 17.0 |
| Surface water fees | 670,690 | 683,291 | 581,884 | 462,133 | 374,898 | 23.2 | 22.5 | 19.3 | 14.9 | 13.9 |
| Penalty | 15,352 | 20,736 | 18,120 | 19,013 | 18,734 | 0.5 | 0.7 | 0.6 | 0.6 | 0.7 |
| Tap connection and inspection fees | 0 | 0 | 5,354 | 6,186 | 43,696 | 0.0 | 0.0 | 0.2 | 0.2 | 1.6 |
| Interest on deposits | 71,137 | 47,993 | 7,193 | 4,939 | 3,030 | 2.5 | 1.6 | 0.2 | 0.2 | 0.1 |
| Other revenues | 30,630 | 30,415 | 17,522 | 17,082 | 26,390 | 1.1 | 1.0 | 0.6 | 0.6 | 1.0 |
| TOTAL REVENUES | <u>2,886,590</u> | <u>3,038,346</u> | <u>3,016,564</u> | <u>3,104,614</u> | <u>2,705,694</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> |
| EXPENDITURES | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Purchased services | 282,973 | 217,176 | 192,950 | 212,490 | 175,349 | 9.8 | 7.1 | 6.4 | 6.8 | 6.5 |
| Professional fees | 123,042 | 133,384 | 247,784 | 255,526 | 158,298 | 4.3 | 4.4 | 8.2 | 8.2 | 5.9 |
| Contracted services | 86,814 | 89,035 | 89,344 | 87,504 | 74,674 | 3.0 | 2.9 | 3.0 | 2.8 | 2.8 |
| Utilities | 56,917 | 65,743 | 64,554 | 49,989 | 56,555 | 2.0 | 2.2 | 2.1 | 1.6 | 2.1 |
| Surface water pumpage fees | 650,621 | 649,482 | 569,846 | 443,651 | 362,052 | 22.4 | 21.4 | 18.9 | 14.5 | 13.2 |
| Repairs and maintenance | 196,613 | 204,773 | 200,440 | 239,434 | 171,595 | 6.8 | 6.7 | 6.6 | 7.7 | 6.3 |
| Other operating expenditures | 25,423 | 39,183 | 27,939 | 129,021 | 26,264 | 0.9 | 1.3 | 0.9 | 4.2 | 1.0 |
| Recreation facilities | 339,927 | 549,743 | 346,864 | 205,690 | 183,555 | 11.8 | 18.1 | 11.5 | 6.6 | 6.8 |
| Garbage disposal | 223,030 | 204,458 | 201,240 | 209,217 | 207,750 | 7.7 | 6.7 | 6.7 | 6.7 | 7.7 |
| Administrative expenditures | 56,838 | 54,598 | 62,486 | 25,394 | 26,806 | 2.0 | 1.8 | 2.1 | 0.8 | 1.0 |
| Capital outlay | 101,027 | 77,826 | 1,078,154 | 153,577 | 51,607 | 3.5 | 2.6 | 35.7 | 4.9 | 1.9 |
| TOTAL EXPENDITURES | <u>2,143,225</u> | <u>2,285,401</u> | <u>3,081,601</u> | <u>2,011,493</u> | <u>1,494,505</u> | <u>74.2</u> | <u>75.2</u> | <u>102.1</u> | <u>64.8</u> | <u>55.2</u> |
| EXCESS REVENUES (EXPENDITURES) | <u>\$ 743,365</u> | <u>\$ 752,945</u> | <u>\$ (65,037)</u> | <u>\$ 1,093,121</u> | <u>\$ 1,211,189</u> | <u>25.8 %</u> | <u>24.8 %</u> | <u>(2.1) %</u> | <u>35.2 %</u> | <u>44.8 %</u> |
| TOTAL ACTIVE RETAIL WATER CONNECTIONS | <u>1,162</u> | <u>1,159</u> | <u>1,158</u> | <u>1,160</u> | <u>1,157</u> | | | | | |
| TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS | <u>1,144</u> | <u>1,141</u> | <u>1,140</u> | <u>1,142</u> | <u>1,151</u> | | | | | |

OAKMONT PUBLIC UTILITY DISTRICT
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND
FOR YEARS ENDED SEPTEMBER 30

| | AMOUNT | | | | | PERCENT OF TOTAL REVENUES | | | | |
|--|--------------------|------------------|-------------------|---------------------|-------------------|---------------------------|--------------|---------------|-----------------|--------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2019 | 2018 | 2017 | 2016 | 2015 |
| REVENUES | | | | | | | | | | |
| Property taxes | \$ 2,394,908 | \$ 2,456,414 | \$ 2,457,370 | \$ 2,459,208 | \$ 2,551,951 | 97.9 % | 97.9 % | 98.6 % | 98.7 % | 98.5 % |
| Penalty and interest | 9,761 | 32,876 | 26,500 | 13,412 | 23,034 | 0.4 | 1.3 | 1.1 | 0.5 | 0.9 |
| Accrued interest on bonds received at date of sale | 0 | 0 | 0 | 13,036 | 11,623 | 0.0 | 0.0 | 0.0 | 0.5 | 0.4 |
| Interest on deposits | 40,482 | 20,158 | 8,416 | 6,978 | 5,846 | 1.7 | 0.8 | 0.3 | 0.3 | 0.2 |
| TOTAL REVENUES | 2,445,151 | 2,509,448 | 2,492,286 | 2,492,634 | 2,592,454 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| EXPENDITURES | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Professional fees | 1,162 | 4,947 | 1,547 | 1,231 | 5,977 | 0.1 | 0.2 | 0.1 | 0.0 | 0.2 |
| Contracted services | 50,733 | 51,324 | 51,838 | 53,802 | 55,385 | 2.0 | 2.0 | 2.1 | 2.2 | 2.1 |
| Other expenditures | 4,879 | 4,566 | 5,044 | 5,645 | 4,082 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Debt service: | | | | | | | | | | |
| Principal retirement | 1,440,000 | 1,400,000 | 1,055,000 | 1,355,000 | 1,120,000 | 58.9 | 55.8 | 42.3 | 54.4 | 43.2 |
| Refunding contribution | 0 | 0 | 0 | 284,007 | 76,800 | 0.0 | 0.0 | 0.0 | 11.4 | 3.0 |
| Interest and fees | 982,345 | 1,017,770 | 1,048,783 | 1,179,111 | 1,091,765 | 40.2 | 40.6 | 42.1 | 47.3 | 42.1 |
| TOTAL EXPENDITURES | 2,479,119 | 2,478,607 | 2,162,212 | 2,878,796 | 2,354,009 | 101.4 | 98.8 | 86.8 | 115.5 | 90.8 |
| EXCESS REVENUES (EXPENDITURES) | \$ (33,968) | \$ 30,841 | \$ 330,074 | \$ (386,162) | \$ 238,445 | (1.4) % | 1.2 % | 13.2 % | (15.5) % | 9.2 % |

See accompanying independent auditor's report.

OAKMONT PUBLIC UTILITY DISTRICTBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSSEPTEMBER 30, 2019

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

District Business Telephone No.: 713-651-0111

Submission date of the most recent District Registration Form: May 20, 2019

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

BOARD MEMBERS

| <u>Name and Address</u> | <u>Term of Office (Elected/ Appointed)</u> | <u>Fees of Office Paid</u> | <u>Expense Reimb.</u> | <u>Title at Year End</u> |
|--|--|------------------------------------|---------------------------|------------------------------|
| Ty Warren c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046 | Elected 5/04/19- 5/06/23 | \$ 4,950 | \$ 2,436 | President |
| Shaun Hebert c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046 | Elected 5/04/19- 5/06/23 | 3,600 | 0 | Vice President |
| Kerry Simmons c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046 | Elected 5/04/19- 5/06/23 | 5,100 | 0 | Secretary |
| Jennifer Smith c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046 | Elected 5/06/17- 5/01/21 | 4,350 | 0 | Assistant Secretary |
| David Doiron c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046 | Appointed 10/11/18- 5/01/21 | 5,700 | 1,140 | Assistant Secretary |

See accompanying independent auditor's report.

OAKMONT PUBLIC UTILITY DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

SEPTEMBER 30, 2019

CONSULTANTS

| <u>Name and Address</u> | <u>Date Hired</u> | <u>Fees and Expense Reimbursements</u> | <u>Title at Year End</u> |
|---|-----------------------|--|----------------------------------|
| Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046 | 3/02/93 | \$ 54,454 | Attorney |
| L & S District Services, LLC P.O. Box 170 Tomball, Texas 77377 | 11/20/03 | 15,349 | Bookkeeper |
| Debra Loggins P.O. Box 170 Tomball, Texas 77377 | 11/20/03 | 0 | Investment Officer |
| Hays Utility South Corporation P.O. Box 1209 Spring, Texas 77383 | 4/09/92 | 158,291 | Operator |
| Jones & Carter, Inc. 6330 West Loop South, Suite 150 Bellaire, Texas 77401 | 3/10/05 | 80,668 | Engineer |
| Equi-Tax, Inc. P.O. Box 73109 Houston, Texas 77273 | 3/10/05 | 26,934 | Tax Assessor- Collector |
| Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292 | Legislative Action | 27,782 | Central Appraisal District |
| R. W. Baird & Co. 1331 Lamar, Suite 1360 Houston, Texas 77010 | 1/08/15 | 0 | Financial Advisor |
| Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477 | 9/22/05 | 10,950 | Independent Auditor |

See accompanying independent auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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