

OFFICIAL STATEMENT DATED AUGUST 18, 2020

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND IS NOT A SPECIFIC PREFERENCE ITEM FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX. SEE "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS."

NEW ISSUE - Book-Entry-Only

Insured Rating (BAM): S&P "AA" (stable outlook)
Underlying Rating: S&P "A"
See "MUNICIPAL BOND RATING" and
"MUNICIPAL BOND INSURANCE" herein.

\$2,685,000

WINDFERN FOREST UTILITY DISTRICT

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

UNLIMITED TAX BONDS SERIES 2020

Dated: September 1, 2020

Due: August 1, as shown below

Principal of the Bonds described above (the "Bonds") will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrars, initially The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar", "Paying Agent" or "Registrar") in Dallas, Texas. Interest on the Bonds will accrue from September 1, 2020 and be payable on February 1, 2021 (five months of interest) and on each August 1 and February 1 thereafter until the earlier of maturity or redemption. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued only in fully registered form in \$5,000 denominations or integral multiples thereof. The Bonds are subject to redemption prior to maturity as shown below.

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



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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (August 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (August 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2021	\$ 250,000	2.000%	0.400%	973250 GF4	2026	\$ 210,000 (c)	1.000%	0.800%	973250 GL1
2022	240,000	2.000	0.450	973250 GG2	2027	330,000 (c)	1.000	0.900	973250 GM9
2023	230,000	2.000	0.500	973250 GH0	2028	330,000 (c)	1.000	1.000	973250 GN7
2024	220,000	2.000	0.600	973250 GJ6	2029	330,000 (c)	1.000	1.100	973250 GP2
2025	215,000	1.000	0.700	973250 GK3	2030	330,000 (c)	1.000	1.200	973250 GQ0

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

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

(c) Bonds maturing on and after August 1, 2026, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on August 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of Windfern Forest Utility District (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property 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, or any entity other than the District. The Bonds are subject to special investment risks described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Bracewell LLP, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about September 22, 2020.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Bracewell LLP, 711 Louisiana Street, Suite 2300, Houston, Texas 77002, upon payment of duplication costs.

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, Rule 15c2-12.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “MUNICIPAL BOND INSURANCE” and “APPENDIX B—Specimen Municipal Bond Insurance Policy.”

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

<i>The Issuer</i>	Windfern Forest Utility District (the “District”), a political subdivision of the State of Texas, is located in Harris County, Texas. See “THE DISTRICT.”
<i>The Issue</i>	<p>\$2,685,000 Unlimited Tax Bonds, Series 2020 (the “Bonds”) are issued pursuant to a resolution (the “Bond Resolution”) of the District's Board of Directors and are authorized pursuant to the election held within the District. See “THE BONDS—Authority for Issuance.” The Bonds will be issued as fully registered bonds maturing serially on August 1 in each of the years 2021 through 2030, both inclusive, in the amounts and paying interest at the rates shown on the cover hereof. Interest on the Bonds accrues from September 1, 2020 and is payable on February 1, 2021 (five months of interest), and on each August 1 and February 1 thereafter until the earlier of maturity or prior redemption. See “THE BONDS.”</p> <p>The Bonds maturing on and after August 1, 2026, are subject to redemption, in whole or from time to time in part, at the option of the District, prior to their maturity dates, on August 1, 2025, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See “THE BONDS.”</p>
<i>Source of Payment</i>	Principal of and interest on the Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “TAXING PROCEDURES.” The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any other political subdivision or agency other than the District. See “THE BONDS—Source of Payment.”
<i>Use of Proceeds</i>	Proceeds from the Bonds will be used to pay for items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” Bond proceeds will also be used to pay administrative costs and certain other costs and fees related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
<i>Payment Record</i>	The District has previously issued seven series of unlimited tax bonds and/or waterworks and sewer system combination unlimited tax and revenue bonds, and two series of unlimited tax refunding bonds, of which \$3,040,000 remains outstanding as of August 2, 2020 (the “Outstanding Bonds”). The District has never defaulted in the payment of principal and interest on any bonds issued by the District.
<i>Qualified Tax-Exempt Obligations</i>	The Bonds have been designated “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS—Purchase of Tax-Exempt Obligations by Financial Institutions.”
<i>Municipal Bond Rating and Municipal Bond Insurance</i>	It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) will assign a municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM” or the “Insurer”). The Bonds also have been assigned an underlying credit rating of “A” by S&P without regard to credit enhancement. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE,” and “APPENDIX B.”
<i>Legal Opinion</i>	Bracewell LLP, Houston, Texas.
<i>Disclosure Counsel</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Financial Advisor</i>	Masterson Advisors LLC, Houston, Texas.
<i>Paying Agent/Registrar</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

INFECTIOUS DISEASE OUTBREAK (COVID-19)

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

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

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

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

EXTREME WEATHER EVENTS; HURRICANE HARVEY

General The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

Impact on the District According to Jacobs Engineering Group Inc., Houston, Texas (the “Engineer”) and Texas Operations and Professional Services (the “Operator”), the District’s System (as defined herein) did not sustain any material damage, there was no interruption of water and sewer service, and no homes or commercial improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

THE DISTRICT

Description..... The District is located in northwestern Harris County approximately 14 miles from the central business district of the City of Houston and immediately east of the City of Jersey Village. The District contains approximately 483 acres of land. Access to the business and commercial areas of Houston from the District is provided via Windfern Road and Gessner Road one mile south to U.S. Highway 290. The Sam Houston Parkway generally forms the western boundary of the District. The District lies within the extraterritorial jurisdiction of the City of Houston. The District is located entirely within the boundaries of the Cypress-Fairbanks Independent School District. See “THE DISTRICT” and “AERIAL PHOTOGRAPH” herein.

Status of Development..... Approximately 308 acres of land in the District are provided with water, sanitary sewer, and drainage facilities to serve Windfern Forest, Sections One through Five, Windfern Gardens, Sections One and Two, Woodwind Lakes, Section Four, Laurel Creek, Sections One through Five, and Mauna Loa Gardens, Sections One and Two. An additional approximately 75 acres have been developed to serve multi-family and commercial use sites. Development of land in the District began in 1971, and as of June 19, 2020, the District contained 1,223 completed and occupied single family residences, 20 completed and unoccupied single-family residences and 9 commercial connections. The District also contains five multi-family projects (The Reserve at Woodwind Lakes Apartments, Bellagio Apartments, Park at Woodwind Lakes Apartments, Kensington Crossings Apartments, and Stoneyway Village Townhomes, collectively consisting of 1,082 units) and according to the apartment communities’ management, occupancy rates range from approximately 92% to approximately 97%. Commercial development in the District includes a mini-storage facility, a CVS Pharmacy, two gas stations and a small strip shopping center, consisting of a convenience store and several small retail establishments. The District has approximately 100 acres of land contained in easements, rights-of-way, recreation and open space land.

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION

2019 Certified Taxable Assessed Valuation	\$379,768,812(a)
2020 Preliminary Taxable Assessed Valuation	\$397,276,744(b)
Gross Debt Outstanding (after the issuance of the Bonds)	\$5,725,000
Estimated Overlapping Debt	<u>22,763,132 (c)</u>
Gross Debt and Estimated Overlapping Debt	\$28,488,132 (c)
Ratios of Gross Debt to:	
2019 Certified Taxable Assessed Valuation	1.51%
2020 Preliminary Taxable Assessed Valuation	1.44%
Ratios of Gross Debt and Estimated Overlapping Debt to:	
2019 Certified Taxable Assessed Valuation	7.50%
2020 Preliminary Taxable Assessed Valuation	7.17%
Debt Service Fund Balance as of July 21, 2020.....	\$1,132,739(d)
General Fund Balance as of July 21, 2020.....	\$1,067,450
2019 Tax Rate:	
Debt Service.....	\$0.23
Maintenance and Operations.....	<u>0.25</u>
Total	\$0.48/\$100 A.V.
Average Annual Debt Service Requirements (2020-2030) of the Bonds and the Outstanding Bonds (“Average Requirement”)	\$626,923 (e)
Maximum Annual Debt Service Requirements (2026) of the Bonds and the Outstanding Bonds (“Maximum Requirement”)	\$818,988 (e)
Tax rate required to pay Average Requirement (2020-2030) based upon:	
2019 Certified Taxable Assessed Valuation at a 95% collection rate	\$0.18/\$100 A.V. (f)
Tax rate required to pay Average Requirement (2020-2030) based upon:	
2020 Preliminary Taxable Assessed Valuation at a 95% collection rate	\$0.17/\$100 A.V. (f)
Tax rate required to pay Maximum Requirement based upon:	
2019 Certified Taxable Assessed Valuation at a 95% collection rate	\$0.23/\$100 A.V. (f)
Tax rate required to pay Maximum Requirement based upon:	
2020 Preliminary Taxable Assessed Valuation at a 95% collection rate	\$0.22/\$100 A.V. (f)
Active Water and Sewer Connections as of June 19, 2020 (g)	
Homes Completed (1,223 occupied).....	1,243
Multi-family (1,082 units).....	5
Commercial	9
Other connections.....	55
Estimated 2019 Population.....	6,445 (h)

- (a) As certified by the Harris County Appraisal District (the “Appraisal District”). See “TAXING PROCEDURES.”
- (b) Provided by the Appraisal District as a preliminary indication of the 2020 taxable value (as of January 1, 2020), including personal property value from tax year 2019 in the amount of \$17,475,026. Such amount is subject to protest, review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified. See “TAXING PROCEDURES.”
- (c) See “ESTIMATED OVERLAPPING DEBT AND TAX RATE STATEMENT.”
- (d) Includes funds for the August 1, 2020 debt service payment in the amount of \$602,234.38. Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Debt Service Fund.
- (e) After issuance of the Bonds. See “DEBT SERVICE REQUIREMENTS.”
- (f) See “TAX DATA—Tax Adequacy for Debt Service.”
- (g) See “THE DISTRICT—Status of Development.”
- (h) Based on 3.5 persons per occupied single-family connection and 2.0 persons per multi-family unit.

OFFICIAL STATEMENT

\$2,685,000

WINDFERN FOREST UTILITY DISTRICT

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

UNLIMITED TAX BONDS SERIES 2020

This Official Statement provides certain information in connection with the issuance by Windfern Forest Utility District (the "District") of its \$2,685,000 Unlimited Tax Bonds, Series 2020 (the "Bonds").

The Bonds are issued by the District pursuant to elections held within the District, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), and an order of the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission").

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Bracewell LLP, 711 Louisiana Street, Suite 2300, Houston, Texas 77002.

THE BONDS

General

Following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution of the Board authorizing the issuance and sale of the Bonds. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated and accrue interest from September 1, 2020, and are payable on each February 1 and August 1 commencing February 1, 2021 (five months of interest), until the earlier of maturity or prior redemption. The Bonds mature on August 1 in the amounts and years and accrue interest at the rates shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

The Bonds will be issued only in fully registered form in \$5,000 denominations or integral multiples thereof.

Method of Payment of Principal and Interest

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

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

Book-Entry-Only System

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating 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 purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity 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 the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriter take any responsibility for the accuracy thereof.

Transfer, Exchange and Registration

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

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

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

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

Source of Payment

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

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

Funds

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

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds shall be deposited into the Capital Projects Fund, to pay the costs of acquiring or constructing District facilities and costs of issuing the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of Bond proceeds.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after August 1, 2026, prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000, on August 1, 2025, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption.

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

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

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

The District reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the District retains the right to rescind such notice at any time prior to the scheduled redemption date if the District delivers a certificate of the District to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Registered Owners. Any Bonds subject to conditional redemption where redemption has been rescinded shall remain outstanding.

No Arbitrage

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

Record Date

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

Authority for Issuance

At bond elections held within the District, the voters of the District authorized an aggregate of \$19,895,000 principal amount of unlimited tax bonds, and waterworks and sewer system combination unlimited tax and revenue bonds. See "Issuance of Additional Debt" below. The Commission has approved the District's issuance of the Bonds for the purposes described in "USE AND DISTRIBUTION OF BOND PROCEEDS."

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution, an order of the Commission, Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

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

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, stolen or destroyed, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding. Registered Owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

At bond elections held within the District on July 10, 1976, December 20, 1977, and August 12, 1981, the voters of the District authorized an aggregate \$19,895,000 principal amount of unlimited tax bonds and waterworks and sewer system combination unlimited tax and revenue bonds. Of the aggregated bond authorizations, \$2,685,000 principal amount remains authorized but unissued. After issuance of the Bonds, the District will have no authorized but unissued unlimited tax bonds and waterworks and sewer system combination unlimited tax and revenue bonds.

At a bond election held within the District on May 4, 1991, the voters of the District authorized the issuance of \$4,000,000 of unlimited tax refunding bonds for the purpose of refunding outstanding bonds. Of the refunding authorization, \$3,505,000 of unlimited tax refunding bonds remains authorized but unissued. The District may issue additional refunding bonds without voter approval.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District can issue park bonds payable from taxes, the following actions are required: (a) approval of the park projects and bonds by the Commission; and (b) approval of the bonds by the Attorney General of Texas. The outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the Commission for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the Commission, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the Commission for "road powers" nor calling such an election at this time.

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

The Bond Resolution imposes no limitation on the amount of additional parity bonds that may be authorized for issuance by the District's voters or the amount ultimately issued by the District. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS—Future Debt."

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City of Houston cannot annex territory within the District unless it annexes the entire District; however, the City of Houston 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 of Houston will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments on the District's bonds should annexation occur.

Strategic Partnership Agreement

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which the 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 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. Although the City has negotiated and entered into such an agreement with one or more other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District, although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

Consolidation

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

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages. In the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money

damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

THE DISTRICT

General

Windfern Forest Utility District (the “District”) is a conservation and reclamation district created by Act of the 62nd Legislature of the State of Texas, Regular Session, 1971, and operates under provisions of Chapters 49 and 54 of the Texas Water Code and other general laws of the State of Texas applicable to municipal utility districts.

The District is a political subdivision of the State of Texas and is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also authorized to develop parks and recreation facilities, including the issuance of bonds payable from taxes for such purposes, after approval by the voters of the District. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent for creation from the City of Houston, within whose extraterritorial jurisdiction boundaries the District lies, the District is required to observe certain requirements of the City of Houston which: limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities and park and recreational facilities; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to lots and commercial or multi-family reserves described in plats which have been approved by the Planning Commission of the City and recorded in the real property records. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See “THE SYSTEM—Regulation.”

Description and Location

The District is located in northwestern Harris County approximately 14 miles from the central business district of the City of Houston and immediately east of the City of Jersey Village. The District contains approximately 483 acres of land. Access to the business and commercial areas of Houston from the District is provided via Windfern Road and Gessner Road approximately one mile south to U.S. Highway 290. The Sam Houston Parkway generally forms the western boundary of the District. The District lies within the extraterritorial jurisdiction of the City of Houston. The District is located entirely within the boundaries of the Cypress-Fairbanks Independent School District. See “AERIAL PHOTOGRAPH” herein.

Status of Development

Development of the District began in 1971, and approximately 383 acres of land in the District have been developed with water, sanitary sewer and drainage facilities. Development in the District includes residential improvements as well as commercial and multi-family improvements.

Residential Development: Approximately 308 acres of land in the District has been developed into approximately 1,243 single family residential lots contained in Windfern Forest, Sections One through Five, Windfern Gardens, Sections One and Two, Woodwind Lakes, Section Four, Laurel Creek, Sections One through Five and Mauna Loa Gardens Sections One and Two. As of June 19, 2020, the District contained 1,223 completed and occupied homes, 20 completed and unoccupied homes. Homes in the District are on the tax roll from approximately \$155,000 to \$275,000.

Commercial/Multi-family Development: Approximately 75 acres of reserves have been provided with water, sewer and drainage facilities for multi-family and commercial development. The District contains five multi-family projects (The Reserve at Woodwind Lakes Apartments, Bellagio Apartments, Park at Woodwind Lakes Apartments, Kensington Crossings Apartments, and Stoneyway Village Townhomes, collectively consisting of 1,082 units) and occupancy rates range from approximately 92% to approximately 97%. A mini-storage facility, a CVS Pharmacy, two gas stations and one small strip shopping center consisting of a convenience store and several small retail establishments have been constructed in the District.

Undevelopable Acreage: The District has approximately 100 acres of land contained in easements, rights-of-way, recreation and open space land.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. All of the Directors listed below reside within the District. Directors are elected by the voters within the District for four-year staggered terms. Directors elections are held only in even numbered years. The Directors and Officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Eddie H. Mendel Jr.	President	May 2023
Karen Hlavenka	Vice President	May 2021
Shari B. North	Secretary	May 2023
Phyllis Schoelman	Assistant Vice President	May 2023
Ann Murphee	Assistant Secretary	May 2021

While the District does not have a general manager or employ any full-time employees, it has contracted for certain services as follows:

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Harris County Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District. B&A Municipal Tax Service LLC is currently serving in this capacity for the District.

Bookkeeper

The District has engaged McLennan & Associates, L.P., to serve as the District's bookkeeper.

Utility System Operator

The District contracts with Texas Operations and Professional Services for maintenance and operation of the District's system.

Engineer

The District's engineer is Jacobs Engineering Group Inc.

Bond Counsel/Attorney

The District has engaged Bracewell LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

Financial Advisor

Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fees to be paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Disclosure Counsel

The District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas as disclosure counsel. The fees paid to disclosure counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the Commission. The District's audited financial statements for the fiscal year ending September 30, 2019 have been prepared by Mark C. Eyring CPA PLLC. See "APPENDIX A" for a copy of the District's September 30, 2019 audited financial statements.

THE SYSTEM

Regulation

Construction and operation of the District's water, wastewater and storm drainage system as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Harris County Drainage District. Harris County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the District's system.

Water Supply

The District operates two water plants, including three groundwater wells, which total 3,184 gallons per minute (“gpm”) of capacity, one 410,000 gallon ground storage tank and one 500,000 gallon ground storage tank, booster pumps totaling 7,254 gpm capacity, 50,000 gallons of pressure tank capacity, and appurtenant equipment. The District also has interconnect agreements with Rolling Fork Public Utility District and West Harris County Municipal Utility District No. 1. The District has entered into a water supply contract with Harris County Municipal Utility District No. 261 (“MUD 261”) and the City of Houston to purchase surface water from the City of Houston. The current take or pay amount of water purchased is 7.17 million gallons per month. According to the Engineer, the District's current water supply system, including the water capacity purchased from the City of Houston, is sufficient to serve approximately 2,500 equivalent single-family equivalent connections. As of July 1, 2020, the District was serving approximately 2,420 equivalent single family connections.

Subsidence and Conversion to Surface Water Supply

The District is within Area Three of the boundaries of the Harris-Galveston Coastal Subsidence District (the “Subsidence District”) which regulates groundwater withdrawal. The District’s authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g. surface water) in areas within the Subsidence District’s jurisdiction. Under the Regulatory Plan, areas within the Subsidence District’s boundaries have converted to 30% surface water by 2010, and must convert to 60% surface water by 2025, and 80% surface water by 2035. The District’s Groundwater Reduction Plan (the “GRP”) complying with these requirements was filed with the Subsidence District on August 21, 2002.

The District and MUD 261 entered into an Interim Water Consortium Agreement on June 21, 2000 with Harris County Municipal Utility District No. 6, Harris County Municipal Utility District No. 23, and Rolling Fork Public Utility District (the “Consortium”) to cause the design and construction of a major water transmission line that connects to Houston’s water distribution system for delivery of water to each Consortium member (the “Consortium Main”). Proceeds from outstanding bonds were used to finance the District’s portion of the Consortium Main.

On April 2, 2001, the District and MUD 261 entered into a water supply contract with the City of Houston (the “City”) to purchase water from the City for domestic and commercial purposes. This surface water is obtained from the Consortium Main and the current take or pay amount of water purchased from Houston is 8.038 million gallons per month. This amount coincides with the GRP for conversion to surface water.

Wastewater Treatment

Sanitary sewage from the District is conveyed to and treated at the regional White Oak Bayou Wastewater Treatment Plant, a 3.2 million gallon per day facility (the “Regional Plant”). The Regional Plant is jointly owned and operated by the City of Jersey Village, West Harris County Municipal Utility District No. 1, Harris County Municipal Utility District No. 25, Baker Service Tools and the District. The District presently owns 900,000 gpd of capacity in the Regional Plant, which is adequate to serve 3,000 equivalent connections based on 300 gpd per equivalent connection. As of July 1, 2020, the District was serving approximately 2,420 equivalent single-family connections. A portion of Bond proceeds will be used to finance construction and improvements to the Regional Plant.

Drainage

The District’s drainage system drains into White Oak Bayou and thence by Buffalo Bayou into the Houston Ship Channel and Galveston Bay.

100-Year Flood Plain

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (“FEMA”) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rainstorm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. The District’s drainage system has been designed and constructed to all current standards.

According to the FEMA Flood Insurance Rate Map Number 48201C0445L, revised June 18, 2007, approximately 3 acres of undeveloped land, 19 acres of rights-of-way and easements, and 17 acres of developed land within the District are within the 100-year flood plain. See “INVESTMENT CONSIDERATIONS—Extreme Weather Events; Hurricane Harvey.”

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by the District’s Engineer and were submitted to the Commission in the District’s bond application. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District’s auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the Commission, where required.

CONSTRUCTION COSTS	
White Oak Bayou Wastewater Treatment Plant Improvements	\$ 316,688
Wastewater Cleaning and Televising	47,405
Wastewater Rehabilitation	1,600,000
Engineering	403,198
Material Testing and Services and Surveying	25,000
	\$ 2,392,291
Total Construction Costs	
NON-CONSTRUCTION COSTS	
Bond Discount (a)	\$ 2,519
	\$ 2,519
Total Non-Construction Costs	
ISSUANCE COSTS AND FEES	
Issuance Costs and Professional Fees	\$ 163,261
Bond Application Report	39,500
State Regulatory Fees	9,398
Contingency (a)	78,031
	\$ 290,190
Total Issuance Costs and Fees	
TOTAL BOND ISSUE	\$ 2,685,000

(a) In its order authorizing the issuance of the Bonds, the TCEQ approved a maximum Bond discount of 3.0%. Contingency represents surplus funds resulting from the sale of the Bonds at a lower bond discount than estimated and can be used for purposes allowed.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2019 Certified Taxable Assessed Valuation	\$379,768,812(a)
2020 Preliminary Taxable Assessed Valuation	\$397,276,744(b)
 Gross Debt Outstanding (after the issuance of the Bonds)	 \$5,725,000
Ratios of Gross Debt to:	
2019 Certified Taxable Assessed Valuation	1.51%
2020 Preliminary Taxable Assessed Valuation	1.44%
 Debt Service Fund Balance as of July 21, 2020.....	 \$1,132,739 (c)
General Fund Balance as of July 21, 2020.....	\$1,067,450

- (a) As certified by the Harris County Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as a preliminary indication of the 2020 taxable value (as of January 1, 2020), including personal property value from tax year 2019 in the amount of \$17,475,026. Such amount is subject to protest, review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."
- (c) Includes funds for the August 1, 2020 debt service payment in the amount of \$602,234.38. Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Debt Service Fund.

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the District portfolio.

Outstanding Bonds

The District has previously issued seven series of unlimited tax bonds and/or waterworks and sewer system combination unlimited tax and revenue bonds and two series of unlimited tax refunding bonds, of which an aggregate principal amount of \$3,040,000 is outstanding, as of August 2, 2020 (the "Outstanding Bonds"). The following table lists the original principal amount of Outstanding Bonds, and the current principal balance of the Outstanding Bonds.

<u>Series</u>	<u>Original Principal Amount</u>	<u>Outstanding Bonds (as of 8/2/20)</u>
2011 (a)	\$ 3,860,000	\$ 3,040,000
Total	\$ 3,860,000	\$ 3,040,000

- (a) Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds

ESTIMATED OVERLAPPING DEBT AND TAX RATE STATEMENT

Estimated Overlapping Debt

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of the overlapping Tax Debt of the District.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Harris County.....	\$ 1,885,182,125	5/31/2020	0.08%	\$ 1,508,146
Harris County Flood Control District.....	83,075,000	5/31/2020	0.08%	66,460
Harris County Hospital District.....	86,050,000	5/31/2020	0.08%	68,840
Harris County Department of Education.....	6,320,000	5/31/2020	0.08%	5,056
Port of Houston Authority.....	572,569,397	5/31/2020	0.08%	458,056
Cypress-Faribanks Independent School District.....	2,844,780,000	5/31/2020	0.69%	19,628,982
Lone Star College System.....	570,885,000	5/31/2020	0.18%	<u>1,027,593</u>
Total Estimated Overlapping Debt.....				\$ 22,763,132
The District.....	5,725,000 (a)	Current	100.00%	<u>5,725,000</u>
Total Direct and Estimated Overlapping Debt.....				\$ 28,488,132

Ratios of Gross Debt and Estimated Overlapping Debt to:

2019 Certified Taxable Assessed Valuation	7.50%
2020 Preliminary Taxable Assessed Valuation	7.17%

(a) Includes the Outstanding Bonds and the Bonds.

Overlapping Tax Rates

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see "Estimated Overlapping Debt" above), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation and maintenance purposes.

Set forth below are all of the taxes levied for the 2019 tax year by all taxing jurisdictions and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Harris County (including Harris County Flood Control District Harris County Hospital District, Harris County Department of Education and the Port of Houston Authority).....	\$ 0.616700
Cypress Fairbanks Independent School District.....	1.370000
Harris County Emergency Services District No. 9.....	0.059800
Lone Star College System.....	<u>0.107800</u>
Total Overlapping Tax Rate.....	\$ 2.154300
The District (a).....	<u>0.480000</u>
Total Tax Rate.....	\$ 2.634300

TAX DATA

Debt Service Tax

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

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted April 5, 1996, and voters of the District authorized, among other things, the Board to levy a maintenance tax not to exceed \$0.25 per \$100 assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See "Debt Service Tax" above.

Historical Tax Rate Distribution

	2019	2018	2017	2016	2015
Debt Service Tax	<u>\$ 0.23</u>	<u>\$ 0.23</u>	<u>\$ 0.24</u>	<u>\$ 0.24</u>	<u>\$ 0.25</u>
Maintenance and Operations Tax	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>
Total	<u>\$ 0.48</u>	<u>\$ 0.48</u>	<u>\$ 0.49</u>	<u>\$ 0.49</u>	<u>\$ 0.50</u>

Exemptions

As discussed in the section titled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. For 2020, the District has adopted a \$10,000 exemption for disabled persons or persons over age 65

Additional Penalties

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

Historical Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to these records for further and more complete information.

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of June 30, 2020 (a)	
				Amount	Percent
2015	\$ 317,083,973	\$ 0.50	\$ 1,585,420	\$ 1,583,668	99.89%
2016	342,663,851	0.49	1,679,053	1,676,676	99.86%
2017	352,697,061	0.49	1,728,216	1,723,433	99.72%
2018	358,871,480	0.48	1,722,583	1,717,736	99.72%
2019	379,768,812	0.48	1,822,890	1,797,561	98.61%

(a) Unaudited.

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. No split payments are allowed, and no discounts are allowed.

Tax Roll Information

The following summary of the 2019 through 2017 Certified Taxable Assessed Valuations are provided by the District's Tax Assessor/Collector based on information provided by the Appraisal District. Differences in totals may vary slightly from other information herein due to differences in dates of data. A breakdown related to the 2020 Preliminary Taxable Assessed Valuation, of \$397,276,744, are not available from the Appraisal District

	2017 Certified Taxable Assessed Valuation	2018 Certified Taxable Assessed Valuation	2019 Certified Taxable Assessed Valuation
Land	\$ 65,935,546	\$ 65,895,078	\$ 65,972,653
Improvements	290,236,013	296,663,148	317,899,702
Personal Property	6,647,470	5,675,868	5,804,577
Exemptions	(10,121,968)	(9,362,614)	(9,908,120)
Total	\$ 352,697,061	\$ 358,871,480	\$ 379,768,812

Principal Taxpayers

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector and represents the principal taxpayers' value as a percentage of the 2019 Certified Taxable Assessed Valuation of \$379,768,812. This represents ownership as of January 1, 2019. A principal taxpayer list related to the 2020 Preliminary Taxable Assessed Valuation, of \$397,276,744, is not available from the Appraisal District.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2019 Certified Taxable Assessed Valuation</u>	<u>% of 2019 Certified Taxable Assessed Valuation</u>
Mid America Apartments Texas LP	Multi-Family	\$ 31,985,609	8.42%
Bellagio Apartments LP	Multi-Family	25,919,150	6.82%
Mosaic Kensington LP	Multi-Family	23,292,002	6.13%
Primis TCR Investor LTD Partnership	Multi-Family	6,941,046	1.83%
Sovran Acquisition LP	Storage Facility	4,932,456	1.30%
7710 Gessner Road LLC	Drug Store	2,946,404	0.78%
T&C Realty Investment LLC	Strip Shopping Center	2,314,244	0.61%
MDC Coast 9 LLC	Strip Shopping Center	1,900,795	0.50%
Centerpoint Energy HOU Ele	Electric Utility	1,775,742	0.47%
Wood Wind Square LTD	Strip Shopping Center	918,120	0.24%
Total		\$ 102,925,568	27.10%

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2019 Certified Taxable Assessed Valuation or 2020 Preliminary Taxable Assessed Valuation, no use of available funds, and utilize tax rates necessary to pay the District's average annual debt service requirements and maximum annual debt service requirements on the Outstanding Bonds and the Bonds.

Average annual debt service requirement (2020-2030)	\$626,923
\$0.18 tax rate on the 2019 Certified Taxable Assessed Valuation	
of \$379,768,812 at a 95% collection rate produces	\$649,405
\$0.17 tax rate on the 2020 Preliminary Taxable Assessed Valuation	
of \$397,276,744 at a 95% collection rate produces	\$641,602
Maximum annual debt service requirement (2026)	\$818,988
\$0.23 tax rate on the 2019 Certified Taxable Assessed Valuation	
of \$379,768,812 at a 95% collection rate produces	\$829,795
\$0.22 tax rate on the 2020 Preliminary Taxable Assessed Valuation	
of \$397,276,744 at a 95% collection rate produces	\$830,308

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$3,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran’s residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See “TAX DATA.”

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

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

Tax Abatement

Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County, the District, and the City of Houston (if it were to annex 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.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the 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 under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to ten percent (10%) 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 such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant’s right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land and timberland.

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised. For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code. Section 11.35 of the Property Tax Code was enacted during the 2019 legislative session, and there is no judicial precedent for how the statute will be applied. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement 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.

Rollback of Operation and Maintenance Tax Rate

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

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

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

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

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

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described above under “Levy and Collection of Taxes.” In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, 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 (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See “INVESTMENT CONSIDERATIONS—Tax Collection Limitations.”

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Outstanding Bonds and the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2020	\$ 654,469				\$ 654,469
2021	533,769	\$ 250,000	\$ 33,229	\$ 283,229	816,998
2022	542,644	240,000	31,250	271,250	813,894
2023	556,019	230,000	26,450	256,450	812,469
2024	571,319	220,000	21,850	241,850	813,169
2025	580,719	215,000	17,450	232,450	813,169
2026	593,688	210,000	15,300	225,300	818,988
2027	-	330,000	13,200	343,200	343,200
2028	-	330,000	9,900	339,900	339,900
2029	-	330,000	6,600	336,600	336,600
2030	-	330,000	3,300	333,300	333,300
Total	\$ 4,032,625	\$ 2,685,000	\$ 178,529	\$ 2,863,529	\$ 6,896,154

Average Annual Debt Service Requirements (2020-2030).....\$626,923
 Maximum Annual Debt Service Requirements (2026)\$818,988

WATER AND WASTEWATER OPERATIONS

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the operation of the District's water and sewer operations are not pledged to the payment of the Bonds but are available for any lawful purpose including payment of debt service on the Bonds and the Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds or the Outstanding Bonds.

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Such summary is based upon information obtained from the District's audited financial statements for the fiscal year ending September 30, 2016 through 2019, and an unaudited summary for the period ended June 30, 2020 from the District's bookkeeper. Reference is made to such statements and records for further and more complete information.

	10/01/2019 to 5/31/2020 (a) (Unaudited)	Fiscal Year Ended September 30			
		2019	2018	2017	2016
Revenues					
Property Taxes	\$ 927,685	\$ 896,562	\$ 880,080	\$ 838,398	\$ 798,679
Water Service	260,992	397,226	360,343	331,478	309,290
Water Sold to Other District	81,470	104,249	121,259	116,411	108,798
Sewer Service	437,490	653,522	583,101	614,863	582,163
Penalty and Interest	10,793	13,123	14,887	13,718	13,766
Tap Connection and Inspection Fees	-	-	-	-	20,250
District Administration Building Rental	5,950	19,275	13,475	17,955	25,750
Interest on Deposits and Investment	6,243	17,819	13,910	2,927	2,927
Other Revenues	8,267	22,704	11,837	12,496	13,286
Total Revenues	\$ 1,738,889	\$ 2,124,480	\$ 1,998,892	\$ 1,948,246	\$ 1,874,909
Expenditures					
Service Operations:					
Purchased Services	\$ 423,628	\$ 614,026	\$ 539,533	\$ 427,575	\$ 433,265
Professional Fees	96,196	234,240	150,922	100,659	122,067
Contracted Services	69,329	74,784	73,506	70,213	70,249
Utilities	61,623	91,674	100,825	87,348	92,094
Repairs and Maintenance	267,081	384,532	371,739	308,125	369,621
Security Service	95,038	138,336	136,656	134,641	134,525
Garbage Disposal	169,066	257,836	250,317	241,769	229,574
District Administration Building Expenses	39,451	88,190	89,670	71,899	64,341
Administrative Expenditures	39,540	85,768	88,772	89,676	93,603
Capital Outlay	-	345,929	206,940	95,157	678,623
Principal Retirement	18,156	27,235	26,465	25,717	18,810
Interest and Fees	7,302	10,952	11,722	12,470	9,830
Total Expenditures	\$ 1,286,410	\$ 2,353,502	\$ 2,047,067	\$ 1,665,249	\$ 2,316,603
Revenues Over (Under) Expenditures	\$ 452,479	\$ (229,022)	\$ (48,175)	\$ 282,997	\$ (441,694)
Other Sources (Internal Transfers)					
Proceeds from Lease	\$ -	\$ -	\$ -	\$ -	\$ 465,000
Fund Balance (Beginning of Year)	\$ 837,054	\$ 1,066,076	\$ 1,114,251	\$ 831,254	\$ 807,948
Fund Balance (End of Year)	\$ 1,289,533	\$ 837,054	\$ 1,066,076	\$ 1,114,251	\$ 831,254

(a) Unaudited. Provided by the District's bookkeeper.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Harris County, the City of Houston, or any other political entity other than the District, will be secured by a continuing, direct, annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

Infectious Disease Outbreak (COVID-19)

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

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

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

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

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

Potential Effects of Oil Price Declines on the Houston Area

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

Extreme Weather Events; Hurricane Harvey

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

According to the Engineer and Operator, the District's System (as defined herein) did not sustain any material damage, there was no interruption of water and sewer service, and no homes or commercial improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

Specific Flood Type Risks

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

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

Economic Factors and Interest Rates

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

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2019 Certified Taxable Assessed Valuation of the District is \$379,768,812 (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)"). After issuance of the Bonds, the maximum annual debt service requirement will be \$818,988 (2026) and the average annual debt service requirement will be \$626,923 (2020-2030). Assuming no increase or decrease from the 2019 Certified Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$0.23 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$818,988 and a tax rate of \$0.18 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$626,923 (see "DEBT SERVICE REQUIREMENTS"). The 2020 Preliminary Taxable Assessed Valuation, within the District is \$397,276,744. Assuming no increase or decrease from the 2020 Preliminary Taxable Assessed Valuation, and a 95% collection rate, tax rates of \$0.22 and \$0.17 per \$100 assessed valuation would be necessary to pay the maximum annual requirement and average annual requirement, respectively. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Outstanding Bonds based upon the 2019 Certified Taxable Assessed Valuation and 2020 Preliminary Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. The District levied a tax for debt service in 2020 at a rate of \$0.23 per \$100 assessed valuation. See "TAXING PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

Future Debt

At bond elections held within the District on July 10, 1976, December 20, 1977, and August 12, 1981, the voters of the District authorized an aggregate \$19,895,000 principal amount of unlimited tax bonds and waterworks and sewer system combination unlimited tax and revenue bonds. Of the aggregated bond authorizations, \$2,685,000 principal amount remain authorized but unissued. After issuance of the Bonds, the District will have no authorized but unissued unlimited tax bonds and waterworks and sewer system combination unlimited tax and revenue bonds.

At a bond election held within the District on May 4, 1991, the voters of the District authorized the issuance of \$4,000,000 of unlimited tax refunding bonds for the purpose of refunding outstanding bonds. Of the refunding authorization, \$3,505,000 of unlimited tax refunding bonds remains authorized but unissued. The District may issue additional refunding bonds without voter approval.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District can issue park bonds payable from taxes, the following actions are required: (a) approval of the park projects and bonds by the Commission; and (b) approval of the bonds by the Attorney General of Texas. The outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the Commission for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the Commission, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the Commission for "road powers" nor calling such an election at this time.

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

The Bond Resolution imposes no limitation on the amount of additional parity bonds that may be authorized for issuance by the District's voters or the amount ultimately issued by the District. Issuance of additional debt could dilute the investment security for the Bonds. See "THE BONDS—Issuance of Additional Debt."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. The costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. 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 against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES—District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies and Bankruptcy Limitations

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

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

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

A district may not be forced into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Resolution on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Marketability of the Bonds

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

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes in Tax Legislation

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

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

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

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

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the opinion of the Attorney General of Texas as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of a direct and continuing annual ad valorem tax levied by the District, without legal limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel.

Bond Counsel has reviewed the statements and information contained in the Official Statement under the captions and subcaptions “THE BONDS” (except for the information under the subcaption “—BOOK-ENTRY-ONLY SYSTEM,” as to which no opinion is expressed) and “CONTINUING DISCLOSURE OF INFORMATION” (except for the information under the subcaption “—Compliance with Prior Undertakings,” as to which no opinion is expressed), and such firm is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Bond Resolution; further, Bond Counsel has reviewed the statements and information contained in the Official Statement under the captions and subcaptions “TAXING PROCEDURES,” “TAX MATTERS,” and “LEGAL MATTERS—Legal Opinions” and such firm is of the opinion that the statements and information contained therein are correct as to matters of law.

Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

Bracewell LLP, also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by McCall Parkhurst & Horton L.L.P., as Disclosure Counsel.

Certification as to No Litigation

At the time of payment for and delivery of the Bonds, the District will furnish the Underwriter a certificate, executed by an authorized representative of the District, acting in such person’s representative capacity, to the effect that to the best of such person’s knowledge and belief. No litigation of any nature has been filed or is pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds.

Forward-Looking Statements Disclaimer

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District’s expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The District’s actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Bracewell LLP, Houston, Texas, under existing law (i) interest on the Bonds is excludable from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”), and is not a specific preference item for purposes of the alternative minimum tax.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District fails to comply with the covenants in the Bond Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

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

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

Collateral Tax Consequences

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

Tax Accounting Treatment of Original Issue Premium

The issue price of all or a portion of the Bonds exceeds the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of all or a portion of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “Original Issue Discount Bonds”). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner 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 period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “TAX MATTERS—Tax Exemption,” “—Tax Legislative Changes” and “—Additional Federal Income Tax Considerations Collateral Tax Consequences” generally apply, and should be considered in connection with the discussion in this portion of the Official Statement.

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.

The foregoing discussion assumes that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (b) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the District nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that 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 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.

Purchase of Tax-Exempt Obligations by Financial Institutions

Section 265(a) of the Code provides, in general, that a deduction for interest on indebtedness incurred to acquire or carry tax-exempt obligations is disallowed. Section 265(b) of the Code provides a specific complete disallowance of any deduction by a financial institution of its pro rata interest expense to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. Section 265(b) also provides an exception for financial institutions for tax-exempt obligations that are properly designated or deemed designated by an issuer as “qualified tax-exempt obligations.”

The Bonds have been designated as “qualified tax-exempt obligations” based, in part, on the District's representation that the amount of the Bonds, when added to the amount of all other tax-exempt obligations (not including private activity bonds other than “qualified 501(c)(3) bonds” or any obligations issued to currently refund any obligation to the extent the amount of the refunding obligation did not exceed the outstanding amount of the refunded obligation) issued or reasonably anticipated to be issued by or on behalf of the District during 2020, is not expected to exceed \$10,000,000. Further, the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during 2020.

Notwithstanding the designation of the Bonds as “qualified tax-exempt obligations” under this exception, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by SAMCO Capital Markets, Inc. (the “Underwriter”) bearing the interest rates shown on the cover page hereof, at a price of 99.9062% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 1.158245% as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

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

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

Securities Laws

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

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) will assign its municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. S&P has assigned an underlying credit rating of “A” to the Bonds without regard to credit enhancement. An explanation of the rating may be obtained from S&P.

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$488.7 million, \$143.6 million and \$345.1 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

"THE DISTRICT" – Jacobs Engineering Group Inc. ("Engineer"), and Records of the District ("Records"); "THE SYSTEM" - Engineer; "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)" - Harris County Appraisal District, B&A Municipal Tax Service LLC, Tax Assessor/Collector and McLennan & Associates, L.P., Bookkeeper; "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) —Estimated Overlapping Debt" - Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" – Harris County Appraisal District and B&A Municipal Tax Service LLC., Tax Assessor/Collector; "MANAGEMENT" - District Directors; "DEBT SERVICE REQUIREMENTS" - Financial Advisor; "THE BONDS," "TAXING PROCEDURES," and "LEGAL MATTERS" - Bracewell LLP.

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

Consultants

In approving this Official Statement, the District has relied upon the following consultants.

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the System and in particular that information included in the sections entitled “THE DISTRICT” and “THE SYSTEM” has been provided by Jacobs Engineering Group Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this Official Statement relating to the assessed valuations has been provided by the Harris County Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Harris County, including the District.

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by B&A Municipal Tax Service LLC, and is included herein in reliance upon his authority as an expert in assessing and collecting taxes.

Auditor: The District’s audited financial statements for the fiscal year ending September 30, 2019 have been prepared by Mark C. Eyring CPA PLLC. See “APPENDIX A” for a copy of the District’s September 30, 2019, audited financial statements.

Bookkeeper: The information related to the “unaudited” summary of the District's General Operating Fund as it appears in “WATER AND WASTEWATER OPERATIONS” has been provided by McLennan & Associates, L.P., and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (the “SEC”) regarding the District’s continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of bonds outstanding and no person is committed by contract or other arrangement with respect to payment of the Bonds; however, in the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds subject to amendment to or repeal of same as set forth below. Under the agreement, the District will be obligated to provide certain financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (“MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain financial information and operating data that is customarily prepared and publicly available annually to the MSRB. The financial information and operating data which will be provided with respect to the District is found in APPENDIX A. The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2020. If audited financial statements are not complete within such period, then the District will provide unaudited financial statements within such six month period and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is 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.

Specified Event Notices

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

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public through the EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered and Beneficial Owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final

jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

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

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Windfern Forest Utility District, as of the date shown on the cover page.

/s/ Eddie H. Mendel Jr.

President, Board of Directors

ATTEST:

/s/ Shari B. North

Secretary, Board of Directors

AERIAL PHOTOGRAPH
(Approximate boundaries of the District as of June 2020)



PILGRIMAGE STREET

BELTWAY 8

WINDFERN FOREST
UTILITY DISTRICT

PHOTOGRAPHS OF THE DISTRICT
(Taken June 2020)













APPENDIX A

District Audited Financial Statements for the fiscal year ended September 30, 2019

WINDFERN FOREST 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 21, 2020

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Windfern Forest Utility District
Harris County, Texas

I have audited the accompanying financial statements of the governmental activities and each fund of Windfern Forest 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 Windfern Forest 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 7 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 22 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 23 to 38 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in black ink, appearing to read "M. 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 Windfern Forest 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 garbage collection and security service, 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	\$ 1,648,839	\$ 1,767,477	\$ (118,638)
Capital assets	8,326,358	8,396,165	(69,807)
Total assets	<u>9,975,197</u>	<u>10,163,642</u>	<u>(188,445)</u>
Long-term liabilities	3,349,470	3,917,372	(567,902)
Other liabilities	996,932	1,025,360	(28,428)
Total liabilities	<u>4,346,402</u>	<u>4,942,732</u>	<u>(596,330)</u>
Net position:			
Invested in capital assets, net of related debt	4,408,985	3,933,822	475,163
Restricted	368,177	206,649	161,528
Unrestricted	851,633	1,080,439	(228,806)
Total net position	<u>\$ 5,628,795</u>	<u>\$ 5,220,910</u>	<u>\$ 407,885</u>

Summary of Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 1,738,640	\$ 1,745,253	\$ (6,613)
Charges for services	1,190,824	1,091,427	99,397
Other revenues	47,245	34,278	12,967
Total revenues	<u>2,976,709</u>	<u>2,870,958</u>	<u>105,751</u>
Expenses:			
Service operations	2,430,212	2,265,487	164,725
Debt service	138,612	133,295	5,317
Total expenses	<u>2,568,824</u>	<u>2,398,782</u>	<u>170,042</u>
Change in net position	407,885	472,176	(64,291)
Net position, beginning of year	<u>5,220,910</u>	<u>4,748,734</u>	<u>472,176</u>
Net position, end of year	<u>\$ 5,628,795</u>	<u>\$ 5,220,910</u>	<u>\$ 407,885</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 \$1,203,286, a decrease of \$69,907 from the prior year.

The General Fund balance decreased by \$229,022, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$159,115, in accordance with the District's financial plan.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 22 of this report. The budgetary fund balance as of September 30, 2019, was expected to be \$1,163,440 and the actual end of year fund balance was \$837,054.

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	\$ 570,869	\$ 570,869	\$ 0
Buildings and improvements	527,039	523,047	3,992
Construction in progress	197,962	0	197,962
Water facilities	5,436,256	5,654,048	(217,792)
Sewer facilities	<u>1,594,232</u>	<u>1,648,201</u>	<u>(53,969)</u>
Totals	<u>\$ 8,326,358</u>	<u>\$ 8,396,165</u>	<u>\$ (69,807)</u>

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

Additions:		
Sanitary sewer improvements	\$ 10,117	
Administrative building improvements	24,940	
Joint wastewater treatment plant improvements	223,517	
Water plant improvements	<u>39,950</u>	
Total additions to capital assets	298,524	
Decreases:		
Depreciation	<u>(368,331)</u>	
Net change to capital assets	<u>\$ (69,807)</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	\$ 4,115,000
Bonds paid	<u>(525,000)</u>
Bonded debt payable, end of fiscal year	<u>\$ 3,590,000</u>

At September 30, 2019, the District had \$2,685,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The District's bonds have an underlying rating of A+ by Standard & Poor's. The Series 2009 are not insured and are rated A+ by Standard and Poor's. The Series 2011 bonds are insured by Assured Guaranty Municipal Corp. The insured rating of the District's Series 2011 bonds is AA. There was no change in the bond ratings during the fiscal year ended September 30, 2019.

On December 30, 2015, the District entered into a 15 year lease/purchase agreement with a financing company for the acquisition of a generator for the District. The agreement provides for 180 monthly payments of \$3,182 at an interest rate of 2.87% per annum. The original principal amount of the agreement was \$465,000 and the unpaid principal balance at September 30, 2019 was \$366,773. The District has the option of prepaying the unpaid balance of the lease/purchase beginning in 2023 and then purchasing the generator for \$1.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$6,200,000 for the 2018 tax year (about 2%) primarily due to the increase in the average assessed valuations on existing property.

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

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

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

Water Supply Issues

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater from its well is subject to annual permits issued by the Subsidence District. On April 14, 1999, the Subsidence District adopted a District Regulatory Plan (the "1999 Plan") to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction. Under the 1999 Plan, the District must submit to the Subsidence District by January 2003 a groundwater reduction plan and begin construction of surface water conversion infrastructure by January 2010, or pay a disincentive fee for any groundwater withdrawn in excess of 20% of the District's total water demand. This same disincentive fee will be imposed under the 1999 Plan if the District's groundwater withdrawal exceeds 70% of the District's total water demand beginning January 2010, exceeds 40% of the District's total water demand beginning January 2025, and exceeds 20% of the District's total water demand beginning January 2035. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future in order to develop surface water conversion infrastructure or to participate in a regional surface water conversion effort. In addition, if the District does not meet the Subsidence District's requirements as described above, the District may be required to pay the disincentive fees adopted by the Subsidence District.

Effective April 2, 2001, the District and the City of Houston (the "City") entered into a forty year water supply contract. Under the terms of the contract, the City agreed to sell water to the District in order for the District to comply with the Groundwater Reduction Plan mandated by the Harris-Galveston Subsidence District. The contract specifies an initial minimum monthly quantity for which it must pay whether taken or not. This quantity can be revised annually in accordance with the terms specified in the contract.

WINDFERN FOREST 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	\$ 114,650	\$ 47,759	\$	\$ 162,409	\$	\$ 162,409
Temporary investments, at cost, Note 7	708,021	330,579		1,038,600		1,038,600
Receivables:						
Property taxes	14,579	13,777		28,356		28,356
Accrued penalty and interest on property taxes				0	5,579	5,579
Service accounts	102,978			102,978		102,978
Other	39,533			39,533		39,533
Due from other fund		1,243		1,243	(1,243)	0
Prepaid security service	23,056			23,056		23,056
Reserves at joint facilities, Note 9	242,806			242,806		242,806
Groundwater bank certificates, at cost, Note 11	5,522			5,522		5,522
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	768,831	768,831
Depreciable capital assets				0	7,557,527	7,557,527
Total assets	<u>\$1,251,145</u>	<u>\$ 393,358</u>	<u>\$ 0</u>	<u>\$ 1,644,503</u>	<u>8,330,694</u>	<u>9,975,197</u>
LIABILITIES						
Accounts payable	\$ 222,835	\$ 13,349	\$	\$ 236,184		236,184
Accrued interest payable				0	17,411	17,411
Customer deposits	175,434			175,434		175,434
Due to other fund	1,243			1,243	(1,243)	0
Long-term liabilities, Note 5:						
Due within one year				0	567,903	567,903
Due in more than one year				0	3,349,470	3,349,470
Total liabilities	<u>399,512</u>	<u>13,349</u>	<u>0</u>	<u>412,861</u>	<u>3,933,541</u>	<u>4,346,402</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>14,579</u>	<u>13,777</u>	<u>0</u>	<u>28,356</u>	<u>(28,356)</u>	<u>0</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Nonspendable:						
Reserves at joint facilities, Note 9	242,806			242,806	(242,806)	0
Groundwater bank certificates, Note 11	5,522			5,522	(5,522)	0
Assigned to debt service		366,232		366,232	(366,232)	0
Unassigned	<u>588,726</u>			<u>588,726</u>	<u>(588,726)</u>	<u>0</u>
Total fund balances	<u>837,054</u>	<u>366,232</u>	<u>0</u>	<u>1,203,286</u>	<u>(1,203,286)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$1,251,145</u>	<u>\$ 393,358</u>	<u>\$ 0</u>	<u>\$ 1,644,503</u>		
Net position:						
Invested in capital assets, net of related debt					4,408,985	4,408,985
Restricted for debt service					368,177	368,177
Unrestricted					<u>851,633</u>	<u>851,633</u>
Total net position					<u>\$ 5,628,795</u>	<u>\$ 5,628,795</u>

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

WINDFERN FOREST 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	\$ 896,562	\$ 825,226	\$	\$ 1,721,788	\$ 7	\$ 1,721,795
Water service	397,226			397,226		397,226
Water sold to other district, Note 10	104,249			104,249		104,249
Sewer service	653,522			653,522		653,522
Penalty and interest	13,123	17,109		30,232	(264)	29,968
District administration building rental	19,275			19,275		19,275
Interest on deposits and investments	17,819	10,151		27,970		27,970
Other revenues	22,704			22,704		22,704
Total revenues	2,124,480	852,486	0	2,976,966	(257)	2,976,709
EXPENDITURES / EXPENSES						
Service operations:						
Purchased services, Notes 9 and 10	614,026			614,026		614,026
Professional fees	234,240	6,314		240,554		240,554
Contracted services	74,784	34,464		109,248		109,248
Utilities	91,674			91,674		91,674
Repairs, maintenance and other operating expenditures	384,532			384,532		384,532
Security service	138,336			138,336		138,336
Garbage disposal	257,836			257,836		257,836
District administration building expenses	88,190			88,190		88,190
Administrative expenditures	85,768	4,312		90,080		90,080
Depreciation				0	368,331	368,331
Capital outlay / non-capital outlay	345,929			345,929	(298,524)	47,405
Debt service:						
Principal retirement	27,235	525,000		552,235	(552,235)	0
Interest and fees	10,952	123,281		134,233	4,379	138,612
Total expenditures / expenses	2,353,502	693,371	0	3,046,873	(478,049)	2,568,824
Excess (deficiency) of revenues over expenditures	(229,022)	159,115	0	(69,907)	477,792	407,885
Net change in fund balances / net position	(229,022)	159,115	0	(69,907)	477,792	407,885
Beginning of year	1,066,076	207,117	0	1,273,193	3,947,717	5,220,910
End of year	<u>\$ 837,054</u>	<u>\$ 366,232</u>	<u>\$ 0</u>	<u>\$ 1,203,286</u>	<u>\$ 4,425,509</u>	<u>\$ 5,628,795</u>

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

WINDFERN FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1: REPORTING ENTITY

Windfern Forest 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 August 10, 1971, and the first bonds were sold on June 29, 1977. 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.

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.

As more fully described in Note 9, the District is a participant in the White Oak Bayou Joint Powers Board (the "Board"). Oversight of the Board is exercised by a board of members which is comprised of representatives from the participants. Based on the criteria described above, the Board's financial activity has not been 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 not spendable, 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	Plant and equipment	10-45 years
Furniture and fixtures	5 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		\$ 1,203,286	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:			
Total capital assets, net			8,326,358
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	\$ (3,590,000)		
Deferred charge on refunding (to be amortized as interest expense)	407		
Issuance discount net of (premium) (to be amortized as interest expense)	38,993		
Lease-purchase payable	<u>(366,773)</u>		(3,917,373)
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	5,579		
Uncollected property taxes	<u>28,356</u>		33,935
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:			
Accrued interest			<u>(17,411)</u>
Net position, end of year			<u>\$ 5,628,795</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		\$ (69,907)
<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	\$ 298,524	
Depreciation	<u>(368,331)</u>	(69,807)
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Principal reduction of bonds payable	525,000	
Principal reduction of lease-purchase agreement	<u>27,235</u>	552,235
<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	(824)	
Issuance discount, net of premium	<u>(6,441)</u>	(7,265)
<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	(264)	
Uncollected property taxes	<u>7</u>	(257)
<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>2,886</u>
Change in net position		<u>\$ 407,885</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

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 and improvements	\$ 570,869	\$	\$	\$ 570,869
Construction in progress	<u>0</u>	<u>197,962</u>	<u></u>	<u>197,962</u>
Total capital assets not being depreciated	<u>570,869</u>	<u>197,962</u>	<u>0</u>	<u>768,831</u>
Depreciable capital assets:				
Buildings and improvements	804,685	24,940		829,625
Furniture and fixtures	62,185			62,185
Water system	9,562,707	39,950		9,602,657
Sewer system	<u>4,102,813</u>	<u>35,672</u>	<u></u>	<u>4,138,485</u>
Total depreciable capital assets	<u>14,532,390</u>	<u>100,562</u>	<u>0</u>	<u>14,632,952</u>
Less accumulated depreciation for:				
Building and improvements	(281,638)	(20,948)		(302,586)
Furniture and fixtures	(62,185)			(62,185)
Water system	(3,908,659)	(257,742)		(4,166,401)
Sewer system	<u>(2,454,612)</u>	<u>(89,641)</u>	<u></u>	<u>(2,544,253)</u>
Total accumulated depreciation	<u>(6,707,094)</u>	<u>(368,331)</u>	<u>0</u>	<u>(7,075,425)</u>
Total depreciable capital assets, net	<u>7,825,296</u>	<u>(267,769)</u>	<u>0</u>	<u>7,557,527</u>
Total capital assets, net	<u>\$ 8,396,165</u>	<u>\$ (69,807)</u>	<u>\$ 0</u>	<u>\$ 8,326,358</u>
Changes to capital assets:				
Capital outlay		\$ 298,524	\$	
Less depreciation expense for the fiscal year		<u>(368,331)</u>	<u></u>	
Net increases / decreases to capital assets		<u>\$ (69,807)</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	\$ 4,115,000	\$	\$ 525,000	\$ 3,590,000	\$ 550,000
Deferred amounts:					
For issuance (discounts) premiums	(45,434)		(6,441)	(38,993)	(9,717)
For refunding	<u>(1,231)</u>	<u></u>	<u>(824)</u>	<u>(407)</u>	<u>(407)</u>
Total bonds payable	<u>4,068,335</u>	<u>0</u>	<u>517,735</u>	<u>3,550,600</u>	<u>539,876</u>
Lease/purchase payable	<u>394,008</u>	<u>0</u>	<u>27,235</u>	<u>366,773</u>	<u>28,027</u>
Total long-term liabilities	<u>\$ 4,462,343</u>	<u>\$ 0</u>	<u>\$ 544,970</u>	<u>\$ 3,917,373</u>	<u>\$ 567,903</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 550,000	\$ 104,468	\$ 654,468
2021	445,000	88,768	533,768
2022	465,000	77,644	542,644
2023	490,000	66,018	556,018
2024	520,000	51,319	571,319
2025 - 2026	<u>1,120,000</u>	<u>54,406</u>	<u>1,174,406</u>
	<u>\$ 3,590,000</u>	<u>\$ 442,623</u>	<u>\$ 4,032,623</u>

Bonds voted	\$ 19,895,000
Bonds approved for sale and sold	17,210,000
Bonds voted and not issued	2,685,000
Refunding bonds voted	4,000,000
Refunding bonds approved for sale and sold	495,000
Refunding bonds voted and not issued	3,505,000

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

	<u>Series 2009</u>	<u>Series 2011</u>
Amounts outstanding, September 30, 2019	\$130,000	\$3,460,000
Interest rates	4.00%	2.50% to 3.25%
Maturity dates, serially beginning/ending	August 1, 2020	August 1, 2020/2026
Interest payment dates	February 1/August 1	February 1/August 1
Callable dates	August 1, 2018*	August 1, 2019*

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

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 Series 2011 bonds are further payable from and secured by a first lien on and a pledge of the net revenues derived from the operation of the District's system.

Developer Construction Commitments and Liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Lease/purchase Agreement

On December 30, 2015, the District entered into a 15 year lease/purchase agreement with a financing company for the acquisition of a generator for the District. The agreement provides for 180 monthly payments of \$3,182 at an interest rate of 2.87% per annum. The original principal amount of the agreement was \$465,000 and the unpaid principal balance at September 30, 2019 was \$366,773. The District has the option of prepaying the unpaid balance of the lease/purchase beginning in 2023 and then purchasing the generator for \$1.

As of September 30, 2019, the contractual payments on the lease/purchase agreement were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 28,027	\$ 10,159	\$ 38,186
2021	28,842	9,345	38,187
2022	29,681	8,505	38,186
2023	30,544	7,643	38,187
2024	31,432	6,754	38,186
2025-2029	171,415	19,518	190,933
2030-2031	<u>46,832</u>	<u>901</u>	<u>47,733</u>
	<u>\$ 366,773</u>	<u>\$ 62,825</u>	<u>\$ 429,598</u>

NOTE 6: PROPERTY TAXES

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

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

At an election on April 5, 1986, the voters within the District authorized a maintenance tax not to exceed \$0.25 per \$100 valuation on all property within the District subject to taxation. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

On October 16, 2018, the District levied the following ad valorem taxes for the 2018 tax year on the adjusted taxable valuation of \$358,909,539:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.2300	\$ 825,491
Maintenance	<u>0.2500</u>	<u>897,272</u>
	<u>\$ 0.4800</u>	<u>\$ 1,722,763</u>

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

2018 tax year total property tax levy	\$ 1,722,763
Appraisal district adjustments to prior year taxes	<u>(968)</u>
Statement of Activities property tax revenues	<u>\$ 1,721,795</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 and in TexPool, a local government investment pool sponsored by the State Comptroller. TexPool is rated AAAM by Standard & Poor's.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the District's deposits were covered by federal insurance.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$1,038,600.

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

Debt Service Fund

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

Cash	\$ 47,759
Temporary investments	<u>330,579</u>
	<u>\$ 378,338</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 8: RISK MANAGEMENT

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

At September 30, 2019, the District had physical damage and boiler and machinery coverage of \$8,714,460, comprehensive general liability coverage with a per occurrence limit of \$2,000,000 and \$4,000,000 general aggregate, worker's compensation liability coverage of \$1,000,000, consultant's crime coverage of \$500,000 and a tax assessor-collector bond of \$50,000.

NOTE 9: REGIONAL WASTEWATER TREATMENT PLANT

Effective May 1, 1992, the District entered into a forty year agreement providing for the ownership, operation, maintenance and expansion of the White Oak Bayou Joint Powers Board (the "Board"). Ownership of the Board is shared by the following participants: The City of Jersey Village -- 40.63%; West Harris County Municipal Utility District No. 1 -- 25.31%; Windfern Forest Utility District -- 28.13%; Harris County Municipal Utility District No. 25 -- 2.81% and Baker Service Tools -- 3.12%. The Board is managed and operated by a board whose five members are appointed by each of the entities participating in the Board. The Board issues no debt. Each participant records its share of the capital assets of the Board in its financial statements.

Each participant is responsible only for its share of the operating costs of the Board which are allocated and billed monthly based upon each participant's pro rata share of total metered flow of effluent entering the Board. Capital costs are allocated and billed based upon percentage of ownership. The District has contributed \$21,878 as its share of the Board's operating reserve and \$220,928 as its share of the capital improvements reserve. During the year ended September 30, 2019, the District incurred operating costs of \$247,439 and capital outlay costs of \$223,517 under this agreement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The following summary financial data of the Board's General Fund is presented for the Board's fiscal year ended December 31, 2018:

	<u>Board Total</u>	<u>District's Share</u>
Total assets	\$ 1,783,774	
Total liabilities	<u>(18,623)</u>	
Total fund balance	1,765,151	\$ 492,508
Reserve for capital improvements	(1,673,051)	(470,630)
Operating reserve	<u>(92,100)</u>	<u>(21,878)</u>
Undesignated fund balance	<u>\$ 0</u>	<u>\$ 0</u>
Total revenues	\$ 595,328	\$ 182,679
Total expenditures	<u>(595,328)</u>	<u>(182,679)</u>
Excess revenues (expenditures)	0	0
Increase in reserve for capital improvements	1,052,071	387,954
Capital improvement expenditures	(90,846)	(25,555)
Interest earnings on reserve for capital improvements	<u>4,291</u>	<u>1,207</u>
Change in fund balance	965,516	363,606
Fund balance, beginning of year	<u>799,635</u>	<u>128,902</u>
Fund balance, end of year	<u>\$ 1,765,151</u>	<u>\$ 492,508</u>

NOTE 10: WATER SUPPLY CONTRACTS

Contract with the City of Houston

Effective April 2, 2001, the District and the City of Houston (the "City") entered into a forty year water supply contract. Under the terms of the contract, the City agreed to sell water to the District in order for the District to comply with the Groundwater Reduction Plan mandated by the Harris-Galveston Subsidence District. The contract specifies an initial minimum monthly quantity for which it must pay whether taken or not. This quantity can be revised annually in accordance with the terms specified in the contract. During the year ended September 30, 2019, the District incurred operating costs of \$366,587 under this agreement.

Contract with Harris County Municipal Utility District No. 261

On June 15, 2010, the District and Harris County Municipal Utility District No. 261 ("No. 261") entered into a 40 year Water Supply and Construction Contract (the "Contract") to construct improvements to the supply of surface water to the districts from the City. Under the terms of the Contract, the District designed and constructed a 12 inch water line and other facilities in consultation with No. 261. After completion of the project, No. 261 is to purchase water from the District at a price specified in the Contract. During the year ended September 30, 2019, the District sold water to No. 261 for \$104,249 under this agreement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 11: GROUNDWATER BANK CERTIFICATES

The District has purchased Groundwater Bank certificates directly from the issuer, the Harris-Galveston Subsidence District (the "HGSD"). These certificates expire in 20 years and allow the bearer to pump the quantity of water specified on the certificate from wells instead of using surface water as mandated by the HGSD. Certificates can also be used in lieu of a disincentive fee assessed by the HGSD for ground water pumpage in excess of the District's permit as amended. At September 30, 2019, the District had in its possession certificates totaling 13,104 thousand gallons of water . The District values the certificates at cost which resulted in a total cost basis for the certificates on hand of \$5,522 at September 30, 2019.

WINDFERN FOREST 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>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 877,401	\$ 877,401	\$ 896,562	\$ 19,161
Water service	325,000	325,000	397,226	72,226
Water sold to other district	102,000	102,000	104,249	2,249
Sewer service	600,000	600,000	653,522	53,522
Penalty	12,000	12,000	13,123	1,123
District administration building rental	9,000	9,000	19,275	10,275
Interest on deposits and investments	19,500	19,500	17,819	(1,681)
Other revenues	23,700	23,700	22,704	(996)
TOTAL REVENUES	1,968,601	1,968,601	2,124,480	155,879
EXPENDITURES				
Service operations:				
Purchased services	552,000	552,000	614,026	62,026
Professional fees	110,575	110,575	234,240	123,665
Contracted services	80,640	80,640	74,784	(5,856)
Utilities	96,000	96,000	91,674	(4,326)
Repairs, maintenance and operating expenditures	398,500	398,500	384,532	(13,968)
Security service	146,000	146,000	138,336	(7,664)
Garbage disposal	252,000	252,000	257,836	5,836
District administration building expenses	89,400	89,400	88,190	(1,210)
Administrative expenditures	95,935	95,935	85,768	(10,167)
Capital outlay	12,000	12,000	345,929	333,929
Debt service	38,187	38,187	38,187	0
TOTAL EXPENDITURES	1,871,237	1,871,237	2,353,502	482,265
EXCESS REVENUES (EXPENDITURES)	97,364	97,364	(229,022)	(326,386)
FUND BALANCE, BEGINNING OF YEAR	1,066,076	1,066,076	1,066,076	0
FUND BALANCE, END OF YEAR	\$ 1,163,440	\$ 1,163,440	\$ 837,054	\$ (326,386)

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..

WINDFERN FOREST 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

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

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$10.00	5,000	N	\$1.50 1.75 2.25 3.50	5,001 to 15,000 15,001 to 20,000 20,001 to 30,000 Over 30,000
WASTEWATER:	\$30.00		N	\$0.50	Over 5,000
SURCHARGE:	\$0.00				

District employs winter averaging for wastewater usage: Yes No

Total charges per 10,000 gallons usage: Water: \$17.50 Wastewater: \$32.50 Surcharge: \$0.00

WINDFERN FOREST 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"	1,281	1,274	1.0	1,274
1"	8	8	2.5	20
1-1/2"	3	3	5.0	15
2"	17	17	8.0	136
3"	0	0	15.0	0
4"	1	1	25.0	25
6"	4	4	50.0	200
8"	1	1	80.0	80
10"	0	0	115.0	0
Total Water	<u>1,315</u>	<u>1,308</u>		<u>1,750</u>
Total Wastewater	<u>1,311</u>	<u>1,304</u>	1.0	<u>1,304</u>

*Single family equivalents

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

Gallons pumped into system (unaudited): 299,476
 Gallons billed to customers (unaudited): 254,828

Water Accountability Ratio
 (Gallons billed/ gallons pumped): 85%

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: _____

WINDFERN FOREST UTILITY DISTRICTEXPENDITURESFOR 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 services:				
Water	\$ 366,587	\$	\$	\$ 366,587
Sewer	247,439			247,439
	<u>614,026</u>	<u>0</u>	<u>0</u>	<u>614,026</u>
Professional fees:				
Auditing	10,950			10,950
Legal	72,278	6,314		78,592
Engineering	151,012			151,012
	<u>234,240</u>	<u>6,314</u>	<u>0</u>	<u>240,554</u>
Contracted services:				
Bookkeeping	23,531			23,531
Operation and billing	51,253			51,253
Tax assessor-collector		21,633		21,633
Central appraisal district		12,831		12,831
	<u>74,784</u>	<u>34,464</u>	<u>0</u>	<u>109,248</u>
Utilities	<u>91,674</u>	<u>0</u>	<u>0</u>	<u>91,674</u>
Repairs, maintenance and other operating expenditures:				
Repairs and maintenance	323,337			323,337
Chemicals	21,409			21,409
Laboratory costs	13,226			13,226
Inspection costs	1,518			1,518
Reconnection and transfer costs	9,139			9,139
TCEQ assessment	5,164			5,164
Other	10,739			10,739
	<u>384,532</u>	<u>0</u>	<u>0</u>	<u>384,532</u>
Security service	<u>138,336</u>	<u>0</u>	<u>0</u>	<u>138,336</u>
Garbage disposal	<u>257,836</u>	<u>0</u>	<u>0</u>	<u>257,836</u>
District administration building expenses	<u>88,190</u>	<u>0</u>	<u>0</u>	<u>88,190</u>

See accompanying independent auditor's report.

WINDFERN FOREST 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				
Administrative expenditures:				
Director's fees	\$ 12,300	\$	\$	\$ 12,300
Office supplies and postage	30,567			30,567
Insurance	23,266	150		23,416
Permit fees	10,616			10,616
Other	9,019	4,162		13,181
	<u>85,768</u>	<u>4,312</u>	<u>0</u>	<u>90,080</u>
CAPITAL OUTLAY				
Authorized expenditures	<u>345,929</u>	<u>0</u>	<u>0</u>	<u>345,929</u>
DEBT SERVICE				
Principal retirement	<u>27,235</u>	<u>525,000</u>	<u>0</u>	<u>552,235</u>
Interest and fees:				
Interest	10,952	121,781		132,733
Paying agent fees	1,500	1,500		1,500
	<u>10,952</u>	<u>123,281</u>	<u>0</u>	<u>134,233</u>
TOTAL EXPENDITURES	<u>\$ 2,353,502</u>	<u>\$ 693,371</u>	<u>\$ 0</u>	<u>\$ 3,046,873</u>

See accompanying independent auditor's report.

WINDFERN FOREST UTILITY DISTRICT

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
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 AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	\$ 1,198,333	\$ 852,486	\$	\$ 2,050,819
Maintenance tax receipts		896,562		896,562
Transfer of maintenance taxes	897,808			897,808
Increase in customer deposits	2,675			2,675
Overpayments from taxpayers		<u>4,394</u>		<u>4,394</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	<u>2,098,816</u>	<u>1,753,442</u>	<u>0</u>	<u>3,852,258</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	2,013,495	37,458		2,050,953
Capital outlay	122,412			122,412
Debt service	38,187	648,281		686,468
Transfer of maintenance taxes		897,808		897,808
Refund of taxpayer overpayments		<u>4,356</u>		<u>4,356</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	<u>2,174,094</u>	<u>1,587,903</u>	<u>0</u>	<u>3,761,997</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	(75,278)	165,539	0	90,261
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>897,949</u>	<u>212,799</u>	<u>0</u>	<u>1,110,748</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 822,671</u>	<u>\$ 378,338</u>	<u>\$ 0</u>	<u>\$ 1,201,009</u>

See accompanying independent auditor's report.

WINDFERN FOREST UTILITY DISTRICT
SCHEDULE OF TEMPORARY INVESTMENTS
SEPTEMBER 30, 2019

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
TexPool				
No. 2552000003	Market	On demand	\$ <u>708,021</u>	\$ <u>0</u>
DEBT SERVICE FUND				
TexPool				
No. 2552000001	Market	On demand	\$ <u>330,579</u>	\$ <u>0</u>
Total – All Funds			\$ <u>1,038,600</u>	\$ <u>0</u>

See accompanying independent auditor's report.

WINDFERN FOREST UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 14,363	\$ 13,986
Additions and corrections to prior year taxes	<u>(494)</u>	<u>(474)</u>
Adjusted receivable, beginning of year	13,869	13,512
2018 ADJUSTED TAX ROLL	<u>897,272</u>	<u>825,491</u>
Total to be accounted for	911,141	839,003
Tax collections: Current tax year	(887,693)	(816,677)
Prior tax years	<u>(8,869)</u>	<u>(8,549)</u>
RECEIVABLE, END OF YEAR	<u>\$ 14,579</u>	<u>\$ 13,777</u>
RECEIVABLE, BY TAX YEAR		
2013	\$ 57	\$ 104
2014	704	760
2015	769	769
2016	1,134	1,089
2017	2,336	2,241
2018	<u>9,579</u>	<u>8,814</u>
RECEIVABLE, END OF YEAR	<u>\$ 14,579</u>	<u>\$ 13,777</u>

See accompanying independent auditor's report.

WINDFERN FOREST 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	\$ 65,895,078	\$ 65,935,546	\$ 65,676,275	\$ 55,251,198
Improvements	296,673,628	290,236,013	280,384,566	264,661,947
Personal property	5,678,444	5,863,719	6,010,140	6,577,291
Less exemptions	<u>(9,337,611)</u>	<u>(9,321,014)</u>	<u>(9,407,130)</u>	<u>(9,406,463)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 358,909,539</u>	 <u>\$ 352,714,264</u>	 <u>\$ 342,663,851</u>	 <u>\$ 317,083,973</u>
 TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.23000	\$ 0.24000	\$ 0.24000	\$ 0.25000
Maintenance tax rates	<u>0.25000</u>	<u>0.25000</u>	<u>0.25000</u>	<u>0.25000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.48000</u>	 <u>\$ 0.49000</u>	 <u>\$ 0.49000</u>	 <u>\$ 0.50000</u>
 TAX ROLLS	 <u>\$ 1,722,763</u>	 <u>\$ 1,728,093</u>	 <u>\$ 1,679,050</u>	 <u>\$ 1,585,414</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED	 <u>98.9 %</u>	 <u>99.7 %</u>	 <u>99.9 %</u>	 <u>99.9 %</u>

*Maximum tax rate approved by voters on April 5, 1986: \$0.25

See accompanying independent auditor's report.

WINDFERN FOREST UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
SEPTEMBER 30, 2019

<u>Due During Fiscal Years Ending September 30</u>	<u>Series 2009</u>		
	<u>Principal Due August 1</u>	<u>Interest Due February 1, August 1</u>	<u>Total</u>
2020	\$ 130,000	\$ 5,200	\$ 135,200
<u>Due During Fiscal Years Ending September 30</u>	<u>Series 2011</u>		
	<u>Principal Due August 1</u>	<u>Interest Due February 1, August 1</u>	<u>Total</u>
2020	\$ 420,000	\$ 99,268	\$ 519,268
2021	445,000	88,768	533,768
2022	465,000	77,644	542,644
2023	490,000	66,018	556,018
2024	520,000	51,319	571,319
2025	545,000	35,719	580,719
2026	575,000	18,687	593,687
TOTALS	\$ 3,460,000	\$ 437,423	\$ 3,897,423

See accompanying independent auditor's report.

WINDFERN FOREST UTILITY DISTRICTLONG-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	\$ 550,000	\$ 104,468	\$ 654,468
2021	445,000	88,768	533,768
2022	465,000	77,644	542,644
2023	490,000	66,018	556,018
2024	520,000	51,319	571,319
2025	545,000	35,719	580,719
2026	575,000	18,687	593,687
TOTALS	<u>\$ 3,590,000</u>	<u>\$ 442,623</u>	<u>\$ 4,032,623</u>

See accompanying independent auditor's report.

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

	<u>(1)</u>	<u>(2)</u>	<u>Totals</u>
Bond Series:	2009	2011	
Interest Rate:	4.00%	2.50% to 3.25%	
Dates Interest Payable:	February 1/ August 1	February 1/ August 1	
Maturity Dates:	August 1, 2020	August 1, 2020/2026	
Bonds Outstanding at Beginning of Current Year	\$ 255,000	\$ 3,860,000	\$ 4,115,000
Less Retirements	<u>(125,000)</u>	<u>(400,000)</u>	<u>(525,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 130,000</u>	<u>\$ 3,460,000</u>	<u>\$ 3,590,000</u>
Current Year Interest Paid:	<u>\$ 10,513</u>	<u>\$ 111,268</u>	<u>\$ 121,781</u>

Bond Descriptions and Original Amount of Issue

- (1) Windfern Forest Utility District Unlimited Tax Refunding Bonds, Series 2009 (\$4,835,000)
- (2) Windfern Forest Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011 (\$3,860,000)

Paying Agent/Registrar

- (1) (2) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 19,895,000	\$ 0	\$ 4,000,000
Amount Issued:	17,210,000		495,000
Remaining to be Issued:	2,685,000		3,505,000

Net Debt Service Fund deposits and investments balances as of September 30, 2019: \$366,232
Average annual debt service payment for remaining term of all debt: 576,089

See accompanying independent auditor's report.

WINDFERN FOREST 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	\$ 896,562	\$ 880,080	\$ 838,398	\$ 798,679	\$ 734,250	42.2 %	44.0 %	43.0 %	42.5 %	39.9 %
Water service	397,226	360,343	331,478	309,290	316,895	18.7	18.0	17.0	16.5	17.2
Water sold to other district	104,249	121,259	116,411	108,798	116,257	4.9	6.1	6.0	5.8	6.4
Sewer service	653,522	583,101	614,863	582,163	598,294	30.8	29.2	31.6	31.1	32.6
Penalty	13,123	14,887	13,718	13,766	15,048	0.6	0.7	0.7	0.7	0.8
District administration building rental	19,275	13,475	17,955	25,750	28,510	0.9	0.7	0.9	1.4	1.6
Interest on deposits and investments	17,819	13,910	2,927	2,927	556	0.8	0.7	0.2	0.2	0.0
Other revenues	22,704	11,837	12,496	33,536	27,541	1.1	0.6	0.6	1.8	1.5
TOTAL REVENUES	2,124,480	1,998,892	1,948,246	1,874,909	1,837,351	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Purchased services	614,026	539,533	427,575	433,265	610,306	29.0	27.0	21.8	23.2	33.1
Professional fees	234,240	150,922	100,659	122,067	108,588	11.0	7.6	5.2	6.5	5.9
Contracted services	74,784	73,506	70,213	70,249	73,728	3.5	3.7	3.6	3.7	4.0
Utilities	91,674	100,825	87,348	92,094	88,766	4.3	5.0	4.5	4.9	4.8
Repairs, maintenance and other operating expenditures	384,532	371,739	308,125	369,621	273,408	18.1	18.6	15.8	19.7	14.9
Security service	138,336	136,656	134,641	134,525	131,635	6.5	6.8	6.9	7.2	7.2
Garbage disposal	257,836	250,317	241,769	229,574	230,287	12.1	12.5	12.4	12.2	12.5
District administration building expenses	88,190	89,670	71,899	64,341	57,940	4.2	4.5	3.7	3.4	3.2
Administrative expenditures	85,768	88,772	89,676	93,604	93,069	4.0	4.4	4.6	5.0	5.1
Capital outlay	345,929	206,940	95,157	678,623	296,933	16.3	1.9	2.0	36.3	16.2
Debt service	38,187	38,187	38,187	28,640	0	1.8	10.4	4.9	1.5	0.0
TOTAL EXPENDITURES	2,353,502	2,047,067	1,665,249	2,316,603	1,964,660	110.8	102.4	85.4	123.6	106.9
EXCESS REVENUES (EXPENDITURES)	\$ (229,022)	\$ (48,175)	\$ 282,997	\$ (441,694)	\$ (127,309)	(10.8) %	(2.4) %	14.6 %	(23.6) %	(6.9) %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,308	1,309	1,308	1,289	1,294					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,304	1,305	1,307	1,285	1,291					

See accompanying independent auditor's report.

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

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
REVENUES										
Property taxes	\$ 825,226	\$ 845,431	\$ 804,553	\$ 799,375	\$ 792,140	96.8 %	97.3 %	98.7 %	98.0 %	98.8 %
Penalty and interest	17,109	16,775	7,521	15,079	9,495	2.0	1.9	0.9	1.8	1.2
Interest and other	10,151	6,893	3,483	1,677	150	1.2	0.8	0.4	0.2	0.0
TOTAL REVENUES	<u>852,486</u>	<u>869,099</u>	<u>815,557</u>	<u>816,131</u>	<u>801,785</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Professional fees	6,314	6,444	1,699	3,600	2,133	0.7	0.7	0.2	0.4	0.3
Contracted services	34,464	34,789	34,868	36,056	32,351	4.0	4.0	4.3	4.4	4.0
Other expenditures	4,312	4,693	4,666	14,373	15,936	0.5	0.5	0.6	1.8	2.0
Debt service:										
Principal retirement	525,000	680,000	655,000	615,000	590,000	61.6	78.3	80.3	75.3	73.5
Interest and fees	123,281	153,881	181,719	209,356	231,431	14.5	17.7	22.3	25.7	28.9
TOTAL EXPENDITURES	<u>693,371</u>	<u>879,807</u>	<u>877,952</u>	<u>878,385</u>	<u>871,851</u>	<u>81.3</u>	<u>101.2</u>	<u>107.7</u>	<u>107.6</u>	<u>108.7</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 159,115</u>	<u>\$ (10,708)</u>	<u>\$ (62,395)</u>	<u>\$ (62,254)</u>	<u>\$ (70,066)</u>	<u>18.7 %</u>	<u>(1.2) %</u>	<u>(7.7) %</u>	<u>(7.6) %</u>	<u>(8.7) %</u>

WINDFERN FOREST UTILITY DISTRICTBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSSEPTEMBER 30, 2019

Complete District Mailing Address: Windfern Forest Utility District
c/o Bracewell LLP
711 Louisiana Street, Suite 2300
Houston, Texas 77002

District Business Telephone No.: 713-223-2300

Submission date of the most recent District Registration Form: July 29, 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>
Eddie H. Mendel, Jr. c/o Bracewell LLP 711 Louisiana Street, Suite 2300 Houston, Texas 77002	Elected 5/04/19- 5/06/23	\$ 4,800	\$ 657	President
Karen Hlavenka c/o Bracewell LLP 711 Louisiana Street, Suite 2300 Houston, Texas 77002	Elected 5/06/17- 5/01/21	1,800	1,854	Vice President
Shari B. North c/o Bracewell LLP 711 Louisiana Street, Suite 2300 Houston, Texas 77002	Elected 5/04/19- 5/06/23	2,400	1,018	Secretary
Ann Murphree c/o Bracewell LLP 711 Louisiana Street, Suite 2300 Houston, Texas 77002	Appointed 7/17/18- 5/01/21	1,950	0	Assistant Secretary

Four directors at September 30, 2019.

See accompanying independent auditor's report.

WINDFERN FOREST UTILITY DISTRICTBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)SEPTEMBER 30, 2019CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Bracewell LLP 711 Louisiana Street, Suite 2300 Houston, Texas 77002	12/20/11	\$ 72,278	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 N. Loop West, Suite 600 Houston, Texas 77008	3/19/96	6,314	Delinquent Tax Attorney
McLennan & Associates, L.P. 1717 St. James Place Houston, Texas 77056	4/20/04	25,121	Bookkeeper
Jorge Diaz 1717 St. James Place Houston, Texas 77056	1/17/17	0	Investment Officer
Texas Operations & Professional Services 9835 Whithorn Drive Houston, Texas 77065	7/02/12	452,306	Operator
Jacobs Engineering Group, Inc. 5995 Rogerdale Road Houston, Texas 77072	11/17/09	151,012	Engineer
B & A Municipal Tax Service, LLC 13333 Northwest Freeway, Suite 505 Houston, Texas 77040	8/23/16	24,949	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	12,831	Central Appraisal District
Masterson Advisors, LLC 3 Greenway Plaza, Suite 1100 Houston, Texas 77046	5/15/18	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 1992	10,950	Independent Auditor

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN