

OFFICIAL STATEMENT DATED SEPTEMBER 9, 2020

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276, OF HARRIS COUNTY, TEXAS. IN THE OPINION OF SPECIAL TAX COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE "LEGAL MATTERS" AND "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINIONS OF BOND COUNSEL AND SPECIAL TAX COUNSEL.

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

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.

\$3,570,000

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276,
OF HARRIS COUNTY, TEXAS**
(A political subdivision of the State of Texas located within Harris County)
**UNLIMITED TAX REFUNDING BONDS
SERIES 2020**

Dated Date: October 1, 2020

Due: March 1, as shown below

The bonds described above (the "Bonds") are obligations solely of Harris County Municipal Utility District No. 276, of Harris County, Texas (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 PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN 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."

Principal of the Bonds is payable at maturity or prior redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds accrues from October 1, 2020, and is payable on each March 1 and September 1 (each an "Interest Payment Date"), commencing March 1, 2021, until maturity or prior redemption. The Bonds will be issued only in fully registered form and in denominations of \$5,000 each or integral multiples thereof. The Bonds mature and are subject to redemption prior to their maturity as shown below.

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



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under 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.

MATURITY SCHEDULE

Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)	Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)
2022	\$ 310,000	3.00 %	0.46	41420E GW9	2028	\$ 300,000	(a) 2.00 %	1.28	41420E HC2
2023	310,000	3.00	0.58	41420E GX7	2029	295,000	(a) 2.00	1.38	41420E HD0
2024	310,000	3.00	0.72	41420E GY5	2030	295,000	(a) 2.00	1.55	41420E HE8
2025	310,000	3.00	0.86	41420E GZ2	2031	290,000	(a) 2.00	1.62	41420E HF5
2026	305,000	3.00	1.00	41420E HA6	2032	285,000	(a) 2.00	1.69	41420E HG3
2027	305,000	2.00	1.19	41420E HB4	2033	255,000	(a) 2.00	1.77	41420E HH1

- (a) Bonds maturing on or after March 1, 2028, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on March 1, 2027, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
- (b) CUSIP Numbers will be assigned to the Bonds by CUSIP Service Bureau and will be included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter (as herein defined) shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial Reoffering Yield represents the initial offering yield to the public, which has been established by the Underwriter for offers to the public and which subsequently may be changed.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein.

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel. Certain legal matters will be passed on for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Underwriter's Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about October 13, 2020.

SAMCO CAPITAL

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USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this OFFICIAL STATEMENT, and, if given or made, such other information or 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 Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 1400, Houston, Texas, 77056, upon payment of the costs of duplication thereof.

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

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."

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$3,711,449.63 (representing the principal amount of the Bonds of \$3,570,000.00, plus a premium of \$175,516.90, less an Underwriter’s discount of \$34,067.27), plus accrued interest. The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING—Sources and Uses of Funds.”

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at yields lower than the public offering yield stated on the cover page hereof. The initial offering yield may be changed at any time by the Underwriter.

The Underwriter has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

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

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of 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 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 and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

OFFICIAL STATEMENT SUMMARY

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

INFECTIOUS DISEASE OUTLOOK (COVID-19)

General...

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

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

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values 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 the Pandemic on the District cannot be quantified at this time, the continued outbreak of the Pandemic 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.

SEVERE WEATHER; 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.

Hurricane Harvey Impact...

To the best knowledge of the District, water and wastewater service to the District was not interrupted due to Hurricane Harvey. Further, the District did not receive any reports of any improvements within the District that 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 the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected. See “INVESTMENT CONSIDERATIONS—Severe Weather; Hurricane Harvey.”

THE DISTRICT

<i>Description...</i>	The District is a political subdivision of the State of Texas, created by order of the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (the “TCEQ”) on November 1, 1984, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District currently consists of approximately 422 acres of land. See “THE DISTRICT.”
<i>Location...</i>	The District is located approximately 16 miles west of the central downtown business district of the City of Houston and lies wholly within the exclusive extraterritorial jurisdiction of the City of Houston (except that a portion of the District has been annexed into the City of Houston for limited purposes) and within the boundaries of the Cypress-Fairbanks Independent School District. The District is located south of U.S. Highway 290, north of Interstate Highway 10 and west of State Highway 6 between Keith-Harrow Boulevard and West Little York Road. See “THE DISTRICT.”
<i>Status of Development...</i>	<p>The District has been developed as a mixed-use project of single-family residential/multi-family residential and commercial/retail projects. As of July 29, 2020, approximately 114 acres of commercial reserves have been developed with necessary water distribution, wastewater collection and storm drainage facilities, and commercial development includes a 13,905 square foot Walgreens; a 121 room Intown Suites hotel; an 11,600 square foot shopping center that is leased by various retail establishments and businesses; an 86,500 square foot shopping center that is occupied by a 62,000 square foot HEB Grocery Store and numerous other small retail and commercial establishments; a 24,500 square foot retail center adjacent to the HEB Center, which is occupied by several small retail businesses, a dental office and a bank; a 25,000 square foot retail center, which is occupied by various retail establishments; a 28,000 square foot retail center, which is occupied by various retail establishments; a Chevron station and convenience store; Whataburger; two full-service restaurants; three fast-food restaurants, an 11,957 square foot CVS Pharmacy; a car wash; a fifteen screen AMC Motion Picture facility (currently closed due to the Pandemic), an ALDI grocery store, a Children’s Learning Adventure, a mini-warehouse storage facility, a Shell station and convenience store, a 24-hour emergency room medical facility, and a Southern Star credit union.</p> <p>Residential development includes 904 single-family residential lots on approximately 253 acres, 222 duplex lots (approximately 21 acres) in Village of Langham Creek; and 111 townhome lots (approximately 10 acres) in Yorktown Villas. As of July 29, 2020, 904 homes, 222 duplexes and 111 townhomes were complete (1,228 occupied collectively). The 2019 average homestead value in the District is approximately \$230,018.</p> <p>The remainder of the District is comprised of Yorktown Crossing Apartments a 312-unit apartment community on approximately 9 acres that is currently approximately 92% occupied according to a Yorktown Crossing Apartments management, The Edge at Langham Creek, a 115-unit apartment community (currently under construction with an estimated completion by the end of 2020) on approximately 3 acres and approximately 12 acres that are not developable (drainage and pipeline easements, street right-of-way and utility easements). See “THE DISTRICT—Land Use” and “—Status of Development.”</p>
<i>Payment Record...</i>	The District has previously issued \$26,335,000 principal amount of unlimited tax bonds in six series and \$13,985,000 principal amount of unlimited tax refunding bonds in three series of which a total of \$10,320,000 principal amount are collectively outstanding (the “Outstanding Bonds”). The District has never defaulted in the timely payment of debt service on the Outstanding Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”

THE BONDS

<i>Description...</i>	The \$3,570,000 Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”) are being issued as fully registered bonds pursuant to an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the District’s Board of Directors (the “Board”). The Bonds are scheduled to mature serially on March 1 in each of the years 2022 through 2033, both inclusive. The Bonds will be issued in book-entry form only in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from October 1, 2020, and is payable on March 1, 2021, and on each September 1 and March 1 thereafter, until the earlier of maturity or prior redemption. See “THE BONDS.”
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<i>Book-Entry-Only System...</i>	The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC or its designee. See “BOOK-ENTRY-ONLY SYSTEM.”
<i>Redemption...</i>	Bonds maturing on or after March 1, 2028, are subject to redemption at the option of the District in whole, or from time to time in part, prior to their maturity dates on March 1, 2027, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”
<i>Use of Proceeds...</i>	Proceeds from the sale of the Bonds, along with other lawfully available funds of the District will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund and defease \$3,885,000 in principal amount of the Outstanding Bonds (the “Refunded Bonds”) in order to reduce the District’s annual debt service expense. After the issuance of the Bonds, \$5,145,000 principal amount of the Outstanding Bonds will remain outstanding (the “Remaining Outstanding Bonds”) and the total amount of District debt, consisting of the Remaining Outstanding Bonds and the Bonds, will be \$8,715,000 as of the date hereof. See “PLAN OF FINANCING—Refunded Bonds” and “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”
<i>Authority for Issuance...</i>	The Bonds are the fourth series of bonds issued out of an aggregate of \$44,000,000 principal amount of unlimited tax bonds authorized by the District’s voters on November 6, 2001, for the purpose of refunding outstanding bonds. The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapter 1207 of the Texas Government Code, as amended, and Chapters 49 and 54 of the Texas Water Code, as amended, and City of Houston Ordinance No. 97-416. See “THE BONDS—Authority for Issuance” and “—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”
<i>Source of Payment...</i>	Principal of and interest on the Bonds and the Remaining Outstanding Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations 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. See “THE BONDS—Source and Security for Payment” and “—Funds.”
<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>Qualified Tax-Exempt Obligations...</i>	The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS—Qualified Tax-Exempt Obligations.”
<i>Bond Counsel...</i>	Schwartz, Page & Harding, L.L.P., Houston, Texas. See “MANAGEMENT OF THE DISTRICT—District Consultants” and “LEGAL MATTERS.”
<i>Special Tax Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Dallas, Texas. See “TAX MATTERS.”
<i>Underwriter’s Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas

<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT—District Consultants.”
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”
<i>Escrow Agent...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “PLAN OF FINANCING—Escrow Agreement—Defeasance of the Refunded Bonds.”
<i>Verification Agent...</i>	Public Finance Partners LLC, Rockford, Minnesota. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully this entire OFFICIAL STATEMENT with respect to the investment security of the Bonds, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2020 Taxable Assessed Valuation.....	\$413,963,710	(a)
Gross Direct Debt Outstanding (the Bonds and the Remaining Outstanding Bonds)	\$ 8,715,000	(b)
Estimated Overlapping Debt	<u>20,696,165</u>	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$29,411,165	
Ratio of Gross Direct Debt to:		
2020 Taxable Assessed Valuation	2.11%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2020 Taxable Assessed Valuation	7.10%	
Funds Available for Operations and Maintenance as of August 27, 2020	\$3,502,367	(d)
Funds Available for Debt Service as of August 27, 2020	\$2,158,927	(e)
2019 Debt Service Tax Rate.....	\$0.37	
2019 Maintenance Tax Rate.....	<u>0.15</u>	
2019 Total Tax Rate.....	\$0.52	
Average Annual Debt Service Requirement (2021-2033).....	\$ 746,500	(f)
Maximum Annual Debt Service Requirement (2021).....	\$1,522,069	(f)
Tax Rate Required to Pay Average Annual Debt Service (2021-2033) at a 95% Collection Rate		
2020 Taxable Assessed Valuation	\$0.19	(g)
Tax Rate Required to Pay Maximum Annual Debt Service (2021) at a 95% Collection Rate		
2020 Taxable Assessed Valuation	\$0.39	(g)
Status of Development as of July 29, 2020 (h):		
Total Homes Completed (1,228 Occupied).....	1,237	
Multi-Family Units Completed.....	312	
Estimated Population.....	4,872	(i)

- (a) The Harris County Appraisal District (the “Appraisal District”) has certified \$369,048,383 of taxable value and an additional \$44,915,327 of taxable value remains uncertified. The uncertified value is the landowner’s opinion of the value; however, such value is subject to review and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See “TAXING PROCEDURES.”
- (b) After the issuance of the Bonds and refunding of the Refunded Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”
- (c) See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt” and “—Overlapping Taxes.”
- (d) The District intends to apply \$300,000 from the District’s Operation and Maintenance Fund for the purpose of which the Bonds are being issued.
- (e) The District intends to apply \$1,500 from the District’s Debt Service Fund for the purpose of which the Bonds are being issued. Neither Texas law nor the Bond Order requires the District to maintain any particular balance in the Debt Service Fund.
- (f) See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”
- (g) See “TAX DATA—Tax Adequacy for Debt Service.”
- (h) See “THE DISTRICT—Land Use” and “Status of Development.”
- (i) Based upon 3.5 persons per occupied single-family residence and 2.0 persons per occupied multi-family residence.

OFFICIAL STATEMENT

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276, OF HARRIS COUNTY, TEXAS *(A political subdivision of the State of Texas located within Harris County)*

\$3,570,000 **UNLIMITED TAX REFUNDING BONDS** **SERIES 2020**

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Harris County Municipal Utility District No. 276, of Harris County, Texas (the “District”) of its \$3,570,000 Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”).

The Bonds are issued by the District pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapter 1207 of the Texas Government Code, as amended, and Chapters 49 and 54 of the Texas Water Code, as amended, City of Houston Ordinance No. 97-416, an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”) and an election held within the District.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of certain of the documents may be obtained from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 1400, Houston, Texas 77056, upon payment of duplication costs therefor.

PLAN OF FINANCING

Purpose

At an election held November 6, 2001, voters of the District authorized the issuance of a total of \$44,000,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water supply and distribution, wastewater collection and treatment and storm drainage systems in the District and \$44,000,000 principal amount of unlimited tax refunding bonds for the purpose of refunding District bonds. The District has previously issued \$26,335,000 principal amount of unlimited tax bonds in six series and \$13,985,000 principal amount of unlimited tax refunding bonds in three series (the “Previously Issued Bonds”) of which a total of \$10,320,000 principal amount are outstanding (the “Outstanding Bonds”).

The proceeds of the Bonds, along with other lawfully available funds of the District will be used to currently refund and defease a portion of the District’s Unlimited Tax Bonds, Series 2013A, totaling \$3,885,000 in principal amount (the “Refunded Bonds”) in order to reduce the District’s debt service expense. See “Refunded Bonds” herein. Such proceeds will also be used to pay the costs of issuance of the Bonds. See “Sources and Uses of Funds” in this section. A total of \$5,145,000 in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the “Remaining Outstanding Bonds”). See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”

Refunded Bonds

The proceeds of the Bonds, along with other lawfully available funds will be applied to currently refund and defease the Refunded Bonds in the principal amounts and with maturity dates set forth below and to pay certain costs of issuing the Bonds.

Maturity Date September 1	Series 2013A Bonds
2021	\$ 10,000 (a)
2022	325,000 (b)
2023	325,000 (b)
2024	325,000 (c)
2025	325,000 (c)
2026	325,000 (d)
2027	325,000 (d)
2028	325,000 (e)
2029	325,000 (e)
2030	325,000 (f)
2031	325,000 (f)
2032	325,000 (g)
2033	300,000 (g)
	\$ 3,885,000

Redemption Date: 10/15/2020

- (a) Represents a portion of the \$325,000 sinking fund maturity.
- (b) Represents term bonds in the total principal amount of \$650,000, scheduled to mature on September 1, 2023.
- (c) Represents term bonds in the total principal amount of \$650,000, scheduled to mature on September 1, 2025.
- (d) Represents term bonds in the total principal amount of \$650,000, scheduled to mature on September 1, 2027.
- (e) Represents term bonds in the total principal amount of \$650,000, scheduled to mature on September 1, 2029.
- (f) Represents term bonds in the total principal amount of \$650,000, scheduled to mature on September 1, 2031.
- (g) Represents term bonds in the total principal amount of \$625,000, scheduled to mature on September 1, 2033.

The Refunded Bonds will be redeemed on the date shown above.

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, along with other lawfully available funds will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds	\$3,570,000.00
Plus: Premium on the Bonds.....	175,516.90
Plus: Transfer from Operating Fund	300,000.00
Plus: Transfer from Debt Service Fund	1,500.00
Total Sources of Funds.....	\$4,047,016.90
Uses of Funds:	
Deposit to Escrow Fund.....	\$3,899,821.74
Issuance Expenses and Underwriter's Discount (a)	147,195.16
Total Uses of Funds	\$4,047,016.90

- (a) Includes municipal bond insurance premium.

Escrow Agreement

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

The Bond Order provides that the District and the Escrow Agent will enter into an escrow agreement (the “Escrow Agreement”) to be dated as of the date of the sale of the Bonds but effective on the date of delivery of the Bonds (expected to be October 13, 2020). The Bond Order further provides that from the proceeds of the sale of the Bonds, along with certain other lawfully available funds of the District, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the “Escrow Fund”). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds or the Remaining Outstanding Bonds.

Defeasance of the Refunded Bonds

By the deposit of cash from a portion of the proceeds of the Bonds, along with other lawfully available funds, if any, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the order authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such deposit, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in the Escrow Fund.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order, a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated October 1, 2020, with interest payable on March 1, 2021, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. Interest on the Bonds initially accrues from October 1, 2020, and thereafter, from the most recent Interest Payment Date. The Bonds mature on March 1 of the years and in the amounts shown under “MATURITY SCHEDULE” on the cover page hereof. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein (“Registered Owners”). No physical delivery of the Bonds will be made to the purchasers thereof. See “BOOK-ENTRY-ONLY SYSTEM.” Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

At an election held within the District on November 6, 2001, voters of the District authorized a total of \$44,000,000 in unlimited tax bonds for the purpose of refunding bonds of the District. The Bonds are issued by the District pursuant to said election and the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapter 1207, Texas Government Code, as amended; and Chapters 49 and 54 of the Texas Water Code, as amended and City of Houston Ordinance No. 97-416.

Source and Security for Payment

The Bonds, together with the Remaining Outstanding Bonds and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See “TAXING PROCEDURES.” Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this OFFICIAL STATEMENT with respect to the investment security of the Bonds. See “INVESTMENT CONSIDERATIONS.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any political subdivision or entity other than the District.

Funds

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

Record Date

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after March 1, 2028, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on March 1, 2027, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon through the date fixed for redemption of such Bonds (the "Redemption Date"). If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the Redemption Date, in the manner specified in the Bond Order.

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

Method of Payment of Principal and Interest

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

Registration

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner's income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM." So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the Register, on behalf of the District.

Replacement of Paying Agent/Registrar

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

The District’s voters have authorized the issuance of a total of \$44,000,000 of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. The District currently has \$17,665,000 of unlimited tax bonds authorized but unissued for such facilities. The District’s voters have also authorized a total of \$44,000,000 of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. After issuance of the Bonds, the District will have \$43,086,197 of unlimited tax refunding bonds authorized but unissued. See “INVESTMENT CONSIDERATIONS—Future Debt.”

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District’s voters or the amount ultimately issued by the District.

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

Financing Road Facilities

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

Financing Recreational Facilities

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

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

The District has not considered calling an election for such purposes but could consider doing so in the future.

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

Annexation

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

Consolidation

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

Remedies in Event of Default

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for

DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating 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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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 (or the Trustee on behalf thereof) 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).

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

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

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

THE DISTRICT

General

The District is a municipal utility district created by an order of the Texas Water Commission, predecessor to the TCEQ, dated November 1, 1984, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston (except as described below under “Strategic Partnership Agreement”), is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, subject to the granting of road powers by the TCEQ and certain limitations, develop and finance roads. See “THE BONDS—Issuance of Additional Debt,” “—Financing Recreational Facilities,” and “—Financing Road Facilities.”

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

Description and Location

The District consists of approximately 422 acres of land in northwest Harris County. The District is located approximately 16 miles west of the central downtown business district of the City of Houston and lies wholly within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Cypress-Fairbanks Independent School District. The District is located south of U.S. Highway 290, north of Interstate Highway 10 and west of State Highway 6 between Keith-Harrow Boulevard and West Little York Road.

Strategic Partnership Agreement

The District and the City of Houston (the “City”) have entered into a Strategic Partnership Agreement dated effective March 30, 2005 (the “SPA”) pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a “limited purpose annexation” for that portion of the District which is developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for “full purposes” for at least thirty (30) years from the effective date of the SPA. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater and drainage facilities must be assumed by the City to the maximum extent permitted by TCEQ rules. The procedures for full purpose annexation under the SPA may differ from those otherwise applicable under Chapter 43, Texas Local Government Code, including any requirements for an election, See “THE BONDS—Annexation.”

As of the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion includes primarily the approximately ten (10) acres of retail and commercial development and approximately 114 acres of commercial property within the District. The City pays to the District an amount equal to one half (1/2) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the “Sales Tax Revenue”). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds or the Remaining Outstanding Bonds.

Land Use

The table below represents a detailed breakdown of the current acreage and development in the District.

<u>Single-Family Residential</u>	<u>Acres</u>	<u>Lots</u>
Berkshire:		
Section One.....	33	79
Section Two.....	25	65
Section Three.....	16	70
Section Four.....	18	72
Section Five.....	17	53
Section Six.....	10	26
Section Seven.....	21	82
Section Eight.....	17	41
Section Nine.....	18	66
Section Ten.....	25	109
Berkshire Place:		
Section One.....	10	44
Section Two.....	15	47
Section Three.....	7	35
Section Four.....	6	36
Section Five.....	15	79
Villages of Langham Creek:		
Section Six (Duplexes).....	9	94
Section Seven (Duplexes).....	12	128
Yorktown Villas		
Section One.....	10	111
Subtotal.....	284	1,237
<u>Commercial</u>	114	0
<u>Multi-Family</u>	12	---
<u>Future Development</u>	0	---
<u>Non-Developable (a)</u>	12	0
Totals.....	422	1,237

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

Status of Development

Single-Family Residential: Residential development includes 904 single-family residential lots on approximately 253 acres, 222 duplex lots (approximately 21 acres) in Village of Langham Creek; and 111 townhome lots (approximately 10 acres) in Yorktown Villas. As of July 29, 2020, 904 homes, 222 duplexes and 111 townhomes were complete (1,228 occupied collectively). The 2019 average homestead value in the District is approximately \$230,018.

Multi-Family Residential: Yorktown Crossing Apartments, a 312-unit apartment community has been constructed on approximately 9 acres within the District and is currently 92% occupied according to a Yorktown Crossing Apartments management. The Edge at Langham Creek, a 115-unit apartment community is currently under construction with an estimated completion by the end of 2020 on approximately 3 acres within the District.

Commercial: As of July 29, 2020, approximately 114 acres of commercial reserves have been developed with necessary water distribution, wastewater collection and storm drainage facilities. Commercial development includes a 13,905 square foot Walgreens; a 121 room Intown Suites hotel; an 11,600 square foot shopping center that is leased by various retail establishments and businesses; an 86,500 square foot shopping center that is occupied by a 62,000 square foot HEB Grocery Store and numerous other small retail and commercial establishments; a 24,500 square foot retail center adjacent to the HEB Center, which is occupied by several small retail businesses, a dental office and a bank; a 25,000 square foot retail center, which is occupied by various retail establishments; a 28,000 square foot retail center, which is occupied by various retail establishments; a Chevron station and convenience store; Whataburger; multiple full-service restaurants; three fast-food restaurants, an 11,957 square foot CVS Pharmacy; a car wash; a fifteen screen AMC Motion Picture facility (currently closed due to the Pandemic), an ALDI grocery store, a Children's Learning Adventure, a mini-warehouse storage facility, a Shell station and convenience store, a 24-hour emergency room medical facility, and a Southern Star credit union.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms and elections are held in May of even numbered years. None of the Board members reside within the District; however, each board member owns land within the District. The current members and officers of the Board, along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Harris Masterson, IV	President	May 2022
C. Thomson Wells	Vice President	May 2022
Randall C. Tuller	Secretary	May 2024
Carl Stephens	Asst. Secretary	May 2024
Robert Householder	Asst. Secretary	May 2022

District Consultants

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

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

Special Tax Counsel: McCall, Parkhurst & Horton L.L.P., Dallas, Texas serves as Special Tax Counsel to the District. The fees to be paid to Special Tax Counsel for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds.

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

Engineer: The District’s consulting engineer is IDS Engineering Group.

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 TCEQ. The District’s financial statements for the fiscal year ending August 31, 2019 have been audited by Mark C. Eyring, CPA, PLLC. See “APPENDIX A” for a copy of the District’s August 31, 2019, audited financial statements.

Bookkeeper: The District has contracted with Municipal Accounts & Consulting, L.P., (the “Bookkeeper”) for bookkeeping services.

Utility System Operator: The operator of the District’s internal water and wastewater system is Inframark.

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

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. B&A Municipal Tax Services, LLC (the “Tax Assessor/Collector”) has been engaged by the District to serve in this capacity.

THE SYSTEM

Regulation

Construction and operation of the District's water, sewer 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 ("EPA"). The provision of potable water in the District is subject to the regulatory authority of the TCEQ and EPA. Withdrawal of ground water and the issuance of water well permits is subject to the regulatory authority of the Harris-Galveston Subsidence District. Harris County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the District's System. Changes in regulatory criteria could require the District to make additional capital expenditures for System improvements in the future.

Water Supply

Water supply for the District is currently provided by the District's two water plants, which are jointly owned with Harris County Municipal Utility District No. 166 ("MUD 166").

The District's Joint Water Plant No. 1 consists of a 1,250 gallons per minute ("gpm") groundwater well, a 30,000 gallon pressure tank, a 500,000 gallon ground storage tank and 3,656 gpm of booster pump capacity. The District's Joint Water Plant No. 1 currently has the capacity to serve 2,076 equivalent single-family connections, of which 1,153 equivalent single family connections are allocated to the District.

In addition, Joint Water Plant No. 1 is located within the West Harris County Regional Water Authority's ("Authority") 2010 Surface Water Conversion area, and the Authority has constructed a surface water supply line to the ground storage tank and provides treated surface water to this plant. The Authority supplies surface water for approximately 95% of Joint Water Plant No. 1's total production.

Joint Water Plant No. 2 was completed in 2010 and its sole water source is the treated surface water provided by the WHCRWA. See "Surface Water" below. The District's Joint Water Plant No. 2 consists of a 30,000 gallon pressure tank, a 500,000 gallon ground storage tank and 3,725 gpm booster pump capacity to serve 2,089 equivalent single family connections, of which 1,044 equivalent single family connections are allocated to the District. The District has a contract with the WHCRWA to provide surface water equal to 636 equivalent single family connections of such capacity.

According to the Engineer, the District's share of these water plants and the related agreements with the Authority are sufficient to provide permanent capacity to serve 1,789 equivalent single-family connections in the District. Additional water supply capacity may be required for full development of the District. As of July 29, 2020, the District had 1,539 active, equivalent single-family water connections (including commercial and multifamily) being served by these water plants.

The District also has two emergency water supply interconnects with Jackrabbit Road Public Utility District ("Jackrabbit").

Surface Water Conversion

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. In 1999, the Texas legislature created the Authority to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County. The District is located within the boundaries of the Authority. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District's groundwater well(s) are included within the Authority's GRP. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in the Authority's GRP.

The Authority, among other powers, has the power to (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees to be paid by the District for groundwater pumped by the District or for surface water received by the District from the Authority), user fees, rates, and charges as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, a fee per 1,000 gallons based on

the amount of groundwater pumped by the District and the amount of surface water, if any, received by the District from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2035 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty of \$9.24 per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

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

Wastewater Collection

Wastewater treatment for approximately 21 acres of commercial development and Berkshire Place (approximately 53 acres of single-family residential development) in the District is provided by Jackrabbit at a 5,100,000 gallon per day ("gpd") wastewater treatment plant. The District owns a total of 197,500 gpd of capacity in such plant pursuant to the 1984 Waste Disposal Contract between Jackrabbit and David Mitchell Ventures, as subsequently assigned to the District and amended, which is adequate to serve 658 equivalent single-family connections based upon 300 gpd per connection.

Most of the District, including all of the Berkshire, Yorktown Crossing, Villages of Langham Creek and Yorktown Villas, is currently served by the District's 480,000 gpd wastewater treatment plant, which will serve 1,600 equivalent single-family connections based upon 300 gpd per connection. As of July 29, 2020, the District had 1,354 active equivalent single-family connections, including commercial development being served by the District's wastewater treatment plant.

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Approximately 114 acres of commercial reserves and multifamily tracts and 904 homes, 222 duplexes and 111 townhomes have been provided with water distribution, wastewater collection and storm drainage facilities. See "THE DISTRICT—Land Use—Status of Development."

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency ("FEMA") has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. 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 was designed and constructed to standards in effect at the time of construction.

According to the current Federal Emergency Management Agency maps, no portion of the District lies within the 100-year flood plain (except that portion located within the banks of Langham Creek itself). See "INVESTMENT CONSIDERATIONS—Sever Weather; Hurricane Harvey."

The National Weather Service recently completed a rainfall study known as National Oceanic and Atmospheric Administration ("NOAA") Atlas 14, Volume 11 Participation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties. Such regulations could result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Waterworks and Sewer System Operating Statement

The Remaining Outstanding Bonds and the Bonds are payable solely from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenue from operations of the District's system, if any, is available for any legal purpose, including, upon Board action, the payment of debt service on the Bonds and the Remaining Outstanding Bonds. It is anticipated that no significant operation revenues will be used for debt service on the Bonds or the Remaining Outstanding Bonds in the foreseeable future.

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

	9/1/2019 to 7/31/2020 (a) (Unaudited)	Fiscal Year Ended August 31			
		2019	2018	2017	2016
Revenues					
Property Taxes	\$ 591,654	\$ 505,319	\$ 380,895	\$ 500,125	\$ 335,313
Water Service	451,806	495,455	513,269	513,567	499,181
Sewer Service	529,757	533,278	543,443	540,208	568,522
Surface water fees	510,462	513,418	530,638	489,468	458,600
Penalty and Interest	30,659	52,173	50,905	57,847	67,948
Tap Connection and Inspection Fees	111,050	-	-	20,255	43,234
Sales and Use Taxes	206,227	258,698	247,199	223,639	216,143
Interest on deposits and investments	94,528	85,436	35,976	14,199	10,749
Other Revenues	596,085	23,871	17,879	16,906	19,056
Total Revenues	\$ 3,122,228	\$ 2,467,648	\$ 2,320,204	\$2,376,214	\$2,218,746
Expenditures					
Purchased services	\$ 603,974	\$ 746,868	\$ 825,481	\$ 738,960	\$ 675,059
Professional Fees	108,579	132,494	117,154	163,565	176,935
Contracted Services	99,698	112,346	109,907	110,271	108,185
Utilities	37,942	48,405	53,354	62,157	89,663
Repairs and Maintenance	259,878	266,428	245,184	219,013	230,084
Other Operating expenditures	100,555	85,601	80,638	73,073	171,863
Garbage disposal	280,293	263,710	256,731	248,703	240,001
Administrative expenditures	91,170	51,924	61,976	56,146	52,357
Capital Outlay/non-capital outlay	117,740	45,405	66,109	137,696	19,695
Debt Service:					
Principal retirement	725,000	-	-	-	880,000
Interest and fees	6,626	-	-	-	17,600
Total Expenditures	\$ 1,699,829	\$ 1,753,181	\$ 1,816,534	\$1,809,584	\$2,661,442
Net Revenues	\$ 1,422,399	\$ 714,467	\$ 503,670	\$ 566,630	\$ (442,696)
Other Sources (Uses)					
Transfers In (Out)	\$ -	\$ (703,976)	\$ -	\$ -	\$ -
Fund Balance (Beginning of Year)	\$ 3,634,000	\$ 3,623,509	\$ 3,119,839	\$2,553,209	\$2,995,905
Fund Balance (End of Year)	\$ 5,056,399	\$ 3,634,000	\$ 3,623,509	\$3,119,839	\$2,553,209

(a) Unaudited. Provided by the Bookkeeper.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2020 Taxable Assessed Valuation	\$413,963,710	(a)
Gross Direct Debt Outstanding (the Bonds and the Remaining Outstanding Bonds)	\$ 8,715,000	(b)
Estimated Overlapping Debt	<u>20,696,165</u>	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$29,411,165	
Ratio of Gross Direct Debt to:		
2020 Taxable Assessed Valuation	2.11%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2020 Taxable Assessed Valuation	7.10%	
Funds Available for Operations and Maintenance as of August 27, 2020	\$3,502,367	(d)
Funds Available for Debt Service as of August 27, 2020	\$2,158,927	(e)

- (a) The Harris County Appraisal District (the "Appraisal District") has certified \$369,048,383 of taxable value and an additional \$44,915,327 of taxable value remains uncertified. The uncertified value is the landowner's opinion of the value; however, such value is subject to review and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See "TAXING PROCEDURES."
- (b) After the issuance of the Bonds and refunding of the Refunded Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
- (c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt" and "—Overlapping Taxes."
- (d) The District intends to apply \$300,000 from the District's Operation and Maintenance Fund for the purpose of which the Bonds are being issued.
- (e) The District intends to apply \$1,500 from the District's Debt Service Fund for the purpose of which the Bonds are being issued. Neither Texas law nor the Bond Order requires the District to maintain any particular 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, as amended. 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 owning long term securities or derivative products in the District's investment portfolio.

Outstanding Bonds

The following table lists the original and current principal amounts of the Outstanding Bonds, the Refunded Bonds and the Remaining Outstanding Bonds as of the date hereof.

Series	Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds	Remaining Outstanding Bonds
2006	\$ 3,130,000	\$ 150,000	\$ -	\$ 150,000
2012 (a)	8,255,000	585,000	-	585,000
2013 (a)	1,850,000	230,000	-	230,000
2013A	7,200,000	4,200,000	3,885,000	315,000
2019 (a)	3,880,000	3,865,000	-	3,865,000
Total	\$ 24,315,000	\$ 9,030,000	\$ 3,885,000	\$ 5,145,000
The Bonds				3,570,000
The Bonds and Remaining Outstanding Bonds				\$ 8,715,000

(a) Unlimited Tax Refunding Bonds.

Debt Service Requirements

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$3,885,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Less: Debt Service on the Refunded Bonds	Plus: Debt Service on the Bonds			Total Debt Service Requirements
			Principal	Interest	Total	
2021	\$ 1,573,725.00	\$ 131,268.75	\$ -	\$ 79,612.50	\$ 79,612.50	\$ 1,522,068.75
2022	1,386,831.25	446,031.25	310,000	82,200.00	392,200.00	1,333,000.00
2023	1,367,181.25	436,281.25	310,000	72,900.00	382,900.00	1,313,800.00
2024	1,337,081.25	426,531.25	310,000	63,600.00	373,600.00	1,284,150.00
2025	1,306,831.25	416,781.25	310,000	54,300.00	364,300.00	1,254,350.00
2026	656,431.25	407,031.25	305,000	45,075.00	350,075.00	599,475.00
2027	631,881.25	397,281.25	305,000	37,450.00	342,450.00	577,050.00
2028	387,531.25	387,531.25	300,000	31,400.00	331,400.00	331,400.00
2029	377,375.00	377,375.00	295,000	25,450.00	320,450.00	320,450.00
2030	367,218.75	367,218.75	295,000	19,550.00	314,550.00	314,550.00
2031	356,656.25	356,656.25	290,000	13,700.00	303,700.00	303,700.00
2032	346,093.75	346,093.75	285,000	7,950.00	292,950.00	292,950.00
2033	310,125.00	310,125.00	255,000	2,550.00	257,550.00	257,550.00
Total	\$ 10,404,962.50	\$ 4,806,206.25	\$ 3,570,000	\$ 535,737.50	\$ 4,105,737.50	\$ 9,704,493.75

Maximum Annual Debt Service Requirement (2021)..... \$1,522,069
Average Annual Debt Service Requirement (2021-2033)..... \$ 746,500

Estimated Overlapping Debt

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Harris County.....	\$ 1,885,182,125	7/31/2020	0.07%	\$ 1,319,627
Harris County Dept. of Education.....	6,320,000	7/31/2020	0.07%	4,424
Harris County Flood Control District.....	83,075,000	7/31/2020	0.07%	58,153
Harris County Hospital District.....	86,050,000	7/31/2020	0.07%	60,235
Port of Houston Authority.....	572,569,397	7/31/2020	0.07%	400,799
Cypress-Fairbanks Independent School District.....	2,971,210,000	7/31/2020	0.60%	17,827,260
Lone Star College System.....	569,815,000	7/31/2020	0.18%	1,025,667
Total Estimated Overlapping Debt.....				\$ 20,696,165
The District.....	8,715,000 (a)	Current	100.00%	8,715,000
Total Direct and Estimated Overlapping Debt.....				\$ 29,411,165
Ratio of Estimated Direct and Overlapping Debt to the 2020 Taxable Assessed Valuation.....				7.10%

(a) The Bonds and the Remaining Outstanding Bonds.

Overlapping Taxes

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, certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2019 tax year by all overlapping taxing jurisdictions and the District. None of the entities below have adopted a 2020 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	2019 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Harris County (including Harris County Flood Control District, Harris County Hospital District, and the Port of Houston Authority).....	\$ 0.616700
Cypress-Fairbanks Independent School District.....	1.370000
Lone Star College System.....	0.107800
Harris County Emergency Services District No. 9.....	<u>0.059800</u>
Total Overlapping Tax Rate.....	\$ 2.154300
The District.....	<u>0.520000</u> (a)
Total Tax Rate.....	\$ 2.674300

(a) See “TAX DATA—Tax Rate Distribution.”

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds and the Remaining Outstanding Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See “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 November 6, 2001, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 taxable assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and the Remaining Outstanding Bonds. See “Debt Service Tax” above, “Tax Rate Distribution” below.

Tax Exemptions

For the 2020 tax year, the District granted an exemption of \$25,000 for persons 65 years of age or older or disabled. See “TAXING PROCEDURES—Property Subject to Taxation by the District.”

Tax Rate Distribution

	2019	2018	2017	2016	2015
Debt Service	\$ 0.37	\$ 0.41	\$ 0.45	\$ 0.50	\$ 0.58
Maintenance and Operations	0.15	0.13	0.10	0.13	0.10
Total	\$ 0.52	\$ 0.54	\$ 0.55	\$ 0.63	\$ 0.68

Historical Tax Collections

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

Tax Year	Taxable	Tax Rate	Total Tax Levy (b)	Total Collections as of July 31, 2020 (c)	
	Assessed Valuation (a)			Amount	Percent
2015	\$ 339,981,899	\$ 0.68	\$ 2,311,877	\$2,307,006	99.79%
2016	379,231,701	0.63	2,389,160	2,387,567	99.93%
2017	387,002,932	0.55	2,128,516	2,125,198	99.84%
2018	388,293,500	0.54	2,096,785	2,089,653	99.66%
2019	407,887,426	0.52	2,121,015	2,088,702	98.48%

- (a) As certified by the Appraisal District. See “Tax Roll Information” herein for taxable assessed value and exemptions granted by the District.
- (b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date of this OFFICIAL STATEMENT.
- (c) Unaudited.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of property comprising the 2015 through 2019 Certified Taxable Assessed Valuations. A breakdown of the 2020 Taxable Assessed Valuation of \$413,963,710 is not included herein.

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land	\$ 86,428,098	\$ 85,439,742	\$ 80,689,198	\$ 77,393,569	\$ 73,495,633
Improvements	316,535,055	297,296,739	298,860,005	294,852,534	260,358,972
Personal Property	13,885,881	13,851,299	15,032,040	14,233,354	13,524,231
Exemptions	<u>(8,961,608)</u>	<u>(8,294,280)</u>	<u>(7,578,311)</u>	<u>(7,247,756)</u>	<u>(7,396,937)</u>
Total Value	<u>\$407,887,426</u>	<u>\$388,293,500</u>	<u>\$387,002,932</u>	<u>\$379,231,701</u>	<u>\$339,981,899</u>

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed value of such property, and such property's taxable assessed value as a percentage of the certified portion (\$369,048,383) of the 2020 Taxable Assessed Valuation of \$413,963,710. This represents ownership as of January 1, 2020. A principal taxpayer list related to the uncertified portion (\$44,915,327) of the 2020 Taxable Assessed Valuation of \$413,963,710, is not available.

<u>Taxpayer</u>	<u>2020 Certified Taxable Assessed Valuation</u>	<u>% of 2020 Certified Taxable Assessed Valuation</u>
Yorktown Acquisition LLC	\$ 31,372,399	8.50%
BRE RC Bear Creek TX LP	15,403,596	4.17%
Inland Western Houston	9,050,000	2.45%
Yorktown Hey 6 Retail Partners Ltd.	6,725,888	1.82%
Hwy 6 Public Storage LLC	4,658,015	1.26%
MGH and Sons Inc.	4,352,151	1.18%
Gowing Trust	4,067,522	1.10%
Petereits YX Shopping Center LLC	3,972,337	1.08%
Intown Suites Kieth Harrow	3,614,988	0.98%
Aldi Texas LLC	<u>3,512,186</u>	<u>0.95%</u>
Total	\$ 86,729,082	23.50%

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements on the Bonds and the Remaining Outstanding Bonds if no growth in the District’s tax base occurred beyond the 2020 Taxable Assessed Valuation of \$413,963,710 (\$369,048,383 of certified value and \$44,915,327 of uncertified value). The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Remaining Outstanding Bonds when due, assuming no further increase or any decrease in the taxable value in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”

Average Annual Debt Service Requirement (2021-2033)	\$746,500
\$0.19 Tax Rate on the 2020 Taxable Assessed Valuation	\$747,204
Maximum Annual Debt Service Requirement (2021).....	\$1,522,069
\$0.39 Tax Rate on the 2020 Taxable Assessed Valuation	\$1,533,736

No representation or suggestion is made that the uncertified portion (\$44,915,327) of the 2020 Taxable Assessed Valuation, which is subject to review and downward revision prior to certification, provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See “TAXING PROCEDURES.”

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately-owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2020 tax year, the District has granted an exemption of \$10,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a

charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property but may choose to exempt same in the future by further official action.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2020 tax year, the District has not granted a general residential homestead exemption.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

District and Taxpayer Remedies

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

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See "Maintenance and Operations Rollback" herein. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Agricultural, Open Space, Timberland, and Inventory Deferment

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

Tax Abatement

The City of Houston and Harris County may designate all or part of the District as a reinvestment zone, and the District, Harris County, and (if it were to annex the area) the City of Houston, may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

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

Maintenance and Operations Rollback

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

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

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

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

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

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

District’s Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District’s tax lien is on a parity with tax liens of other such taxing units. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt.” A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations."

INVESTMENT CONSIDERATIONS

General

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

Infectious Disease Outlook (COVID-19)

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

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

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

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

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of the Pandemic 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.

Severe Weather; 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.

To the best knowledge of the District, water and wastewater service to the District was not interrupted due to Hurricane Harvey. Further, the District did not receive any reports of any improvements within the District that 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 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

River (or Fluvial) Flood: 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 sheetflow overland. 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 floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee or dam has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam or levee also could potentially create a flooding condition in rivers or man-made drainage systems (canals or channels) downstream.

Ponding (or Pluvial) Flood: occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can over capacitate a drainage system which becomes trapped and flows out into streets and nearby structures until it reaches a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam or levee.

Dependence on Major Taxpayers

The ten principal taxpayers represent \$86,729,082 (23.50%) of the certified portion (\$369,048,383) of the 2020 Taxable Assessed Valuation of \$413,963,710. A principal taxpayer list related to the uncertified portion (\$44,915,327) of the 2020 Taxable Assessed Valuation \$413,963,710 is currently not available. If any of the major taxpayer were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to liquidate its tax lien or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its Debt Service Fund. See "Tax Collection Limitations and Foreclosure Remedies" in this section, "TAX DATA—Principal Taxpayers," and "TAXING PROCEDURES—Levy and Collection of Taxes."

Tax Collection Limitations and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other 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 (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedure against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, 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

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

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 Order may not be reduced to a judgment for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Beneficial 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 Beneficial 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.

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas 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. Under Texas law, the District must also obtain the approval of the Commission prior to filing bankruptcy. Such law requires that the Commission investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect the Registered Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Beneficial Owner's claim against the District.

A district may not be placed into bankruptcy involuntarily.

Environmental and Air Quality Regulations

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

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

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston-Brazoria area (“HGB Area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State 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 June 22, 2020, and is currently the subject of ongoing litigation.

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

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of \$44,000,000 of unlimited tax bonds for financing water, wastewater and drainage facilities and \$44,000,000 of unlimited tax refunding bonds have been authorized by the District’s voters. The District currently has \$17,665,000 of unlimited tax bonds authorized but unissued for financing water, wastewater and drainage facilities, and after the issuance of the Bonds, \$43,086,197 of the unlimited tax refunding bonds will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District’s tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

The District owes funds to KB Home Lone Star Inc. in the amount of approximately \$2,500,000 plus interest for advances made for the engineering and construction of water, sewer, and drainage facilities. Reimbursement of such amount is subject to completion of certain obligations related to drainage/detention facilities by KB Home Lone Star Inc. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. See “THE BONDS—Issuance of Additional Debt.”

Municipal Bond Insurance Risk Factors

The District has entered into an agreement with Build America Mutual Assurance Company (“BAM” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

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

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

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

Marketability

The District has no agreement 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 generally bought, sold or traded in the secondary market.

Future and Proposed Legislation

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

Continuing Compliance with Certain Covenants

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

NO MATERIAL ADVERSE CHANGE

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

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Underwriter a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District’s certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

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 also assigned an underlying credit rating of “A-” to the Bonds without regard to credit enhancement. See “INVESTMENT CONSIDERATIONS—Municipal Bond Insurance Risk Factors,” “MUNICIPAL BOND INSURANCE,” and “APPENDIX B.”

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 its judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

MUNICIPAL BOND INSURANCE

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."

BAM GreenStar Bonds

The Bonds have been designated BAM GreenStar Bonds because BAM has determined that the use of bond proceeds by the Issuer as described in this OFFICIAL STATEMENT and in any additional information obtained by BAM aligns with one of the Green Bond Principals (GBPs) developed by the International Capital Markets Association (ICMA). The GBPs were developed by the ICMA with the goal of establishing universally accepted guidelines for the issuance of green bonds, and one of the key requirements addresses the use of proceeds. BAM has been identified by the ICMA as an observer organization that is active in the field of green and/or social or sustainability finance and is Climate Bond Initiative approved verifier. The Credit Profile prepared by BAM for the Bonds will identify which of the following GBP categories applies to the Bonds:

- renewable energy
- energy efficiency
- pollution prevention and control
- environmentally sustainable management of living natural resources and land use
- terrestrial and aquatic biodiversity
- clean transportation
- climate change adaptation
- sustainable water and wastewater management
- green buildings.

Each of the GBPs correlates to one of the following UN Sustainable Development Goals which will also be included in the Credit Profile for the Bonds:

- clean water and sanitation
- affordable and clean energy
- sustainable cities and communities
- industry innovation and infrastructure
- responsible consumption and production
- climate action
- life below water
- life on land

For projects under construction, the bond obligor has agreed to furnish annual information to BAM on the status of the project until completion, which will be reflected in the BAM Credit Profile for the Bonds.

The BAM GreenStar designation is based upon information obtained by BAM, which information BAM believes to be reliable, at the time of the issuance of the Bonds. BAM does not charge a fee in connection with the designation, does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. The designation is provided on an "AS IS" basis. BAM makes no representation or warranty, express or implied, including, but not limited to, the accuracy, results, timeliness, completeness, merchantability or fitness for any particular purpose with respect to the designation. A complete description of BAM GreenStar, and its limitations and terms of use, are available on BAM's website <https://buildamerica.com/greenstar> and <https://buildamerica.com/terms-of-use> and incorporated herein by reference. The BAM GreenStar designation is determined solely by BAM; it has not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for such designation.

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 <http://www.buildamerica.com/videos>. (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 www.buildamerica.com/credit-profiles. 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.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the funds deposited with the Escrow Agent, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds; (b) the mathematical computations of yield used by Special Tax Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes; and (c) compliance with the City of Houston Ordinance 97-416.

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

LEGAL MATTERS

Legal Opinions

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

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel and Special Tax Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and therefore such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., Dallas, Texas.

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

Legal Review

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

TAX MATTERS

Tax Exemption

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Special Tax Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering their opinion, Special Tax Counsel will rely upon (a) the opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, that the Bonds are valid and binding obligations of the District payable from the proceeds of a generally-applicable ad valorem tax, (b) the District’s federal tax certificate and the verification report prepared by Public Finance Partners LLC, and (c) covenants of the District with respect to arbitration, the application of the

proceeds to be received from the issuance and sale of the Bonds and certain other matters. Although it is expected that the Bonds will qualify as tax exempt obligations for federal income tax purposes as of the date of issuance, the tax exempt status of the Bonds could be affected by future events. However, future events beyond the control of the District, as well as the failure to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

The Underwriter has represented that the initial public offering price to be paid for the Bonds (the "Original Issue Discount Bonds"), as stated on the cover of the Official Statement, may be less than the principal amount thereof. As such, 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.

Under Existing Law, such an 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 for which such Original Issue Discount Bond continues to be owned by such owner. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

The initial public offering price to be paid for certain maturities of the Bonds is greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, 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, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and individuals otherwise allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

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

State, Local and Foreign Taxes

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

Qualified Tax-Exempt Obligations

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

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

Financial Advisor

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

Consultants

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

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

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

Auditor: The District's financial statements for the fiscal year ending August 31, 2019, have been audited by Mark C. Eyring, CPA, PLLC. See "APPENDIX A" for a copy of the District's August 31, 2019 audited financial statements. Mark C. Eyring, CPA, PLLC. has agreed to the publication of its audit opinion on such financial statements in this OFFICIAL STATEMENT.

Bookkeeper: The information related to the unaudited summary of the District's General Operating Fund as it appears in "THE SYTEM—Waterworks and Sewer System Operating Statement" has been prepared by Municipal Accounts & Consulting LP and is included herein in reliance upon the authority of such firm as experts in tracking and manage the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the 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 (“SEC”) regarding the District’s continuing disclosure obligations because the District will have less than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Order, the District has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the “MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) System.

Annual Reports

The District will provide certain financial information and operating data, which is customarily prepared by the District and publicly available annually to the MSRB. The information to be updated includes the quantitative financial information and operating data of the general type included in the District’s audited financial statements and supplemental schedules as found in “APPENDIX A—District Audited Financial Statements.” The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2020. Any information concerning the District so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report of the District is not complete within such period, then the District shall provide unaudited financial information for the fiscal year to the MSRB within such six-month period, and audited financial statements when the audit report becomes available.

The District’s current fiscal year end is currently August 31. Accordingly, it must provide updated information by February 28 in each year, unless it 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 events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, 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, any of which reflect financial difficulties. The terms “financial obligation” and “material” when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through an 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 owners and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the registered owners of a majority in aggregate principal amount of the Outstanding Bonds consent or any person unaffiliated with the District (such as a nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such Rule or a court of final jurisdiction determines that such provisions are invalid but in either case, only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reason 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 APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this OFFICIAL STATEMENT involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

/s/ Harris Masterson, IV
President, Board of Directors

ATTEST:

/s/ Randall C. Tuller
Secretary, Board of Directors

APPENDIX A

**Independent Auditor's Report and Financial Statements of the District for the fiscal year ended August 31,
2019**

HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 276
HARRIS COUNTY, TEXAS
ANNUAL AUDIT REPORT
AUGUST 31, 2019

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Mark C. Eyring, CPA, PLLC

12702 Century Drive • Suite C2 • Stafford, Texas 77477 • 281-277-9595 • Mark@EyringCPA.com

December 16, 2019

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 276
Harris County, Texas

I have audited the accompanying financial statements of the governmental activities and each fund of Harris County Municipal Utility District No. 276, as of and for the year ended August 31, 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 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 Harris County Municipal Utility District No. 276 as of August 31, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 8 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 22 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, Special Revenue Fund, on Page 23 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 24 to 42 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. G. J.", is located at the bottom right of the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Harris County Municipal Utility District No. 276 (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 August 31, 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, 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. The financial objective for the Special Revenue Fund is to insure that the expenditures in the funds are billed to the participants in accordance with the contract. 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	\$ 5,644,766	\$ 5,705,707	\$ (60,941)
Capital assets	15,567,145	15,909,172	(342,027)
Total assets	<u>21,211,911</u>	<u>21,614,879</u>	<u>(402,968)</u>
Long-term liabilities	12,128,534	13,973,577	(1,845,043)
Other liabilities	1,736,936	1,773,654	(36,718)
Total liabilities	<u>13,865,470</u>	<u>15,747,231</u>	<u>(1,881,761)</u>
Net position:			
Invested in capital assets, net of related debt	2,151,698	609,040	1,542,658
Restricted	1,554,070	1,628,635	(74,565)
Unrestricted	3,640,673	3,629,973	10,700
Total net position	<u>\$ 7,346,441</u>	<u>\$ 5,867,648</u>	<u>\$ 1,478,793</u>

Summary of Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 2,118,044	\$ 2,120,926	\$ (2,882)
Charges for services	1,983,221	2,025,628	(42,407)
Other revenues	396,460	325,183	71,277
Total revenues	<u>4,497,725</u>	<u>4,471,737</u>	<u>25,988</u>
Expenses:			
Service operations	2,515,991	2,573,171	(57,180)
Debt service	502,941	482,385	20,556
Total expenses	<u>3,018,932</u>	<u>3,055,556</u>	<u>(36,624)</u>
Change in net position	1,478,793	1,416,181	62,612
Net position, beginning of year	<u>5,867,648</u>	<u>4,451,467</u>	<u>1,416,181</u>
Net position, end of year	<u>\$ 7,346,441</u>	<u>\$ 5,867,648</u>	<u>\$ 1,478,793</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended August 31, 2019, were \$5,351,121, a decrease of \$40,459 from the prior year.

The General Fund balance increased by \$10,491, in accordance with the District's financial plan.

The Special Revenue Fund balance increased by \$19,170 due to the increase in the operating reserve.

The Debt Service Fund balance decreased by \$79,531, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$9,411, as interest earnings exceeded authorized expenditures.

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 August 31, 2019, was expected to be \$4,077,155 and the actual end of year fund balance was \$3,634,000.

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, easements and detention ponds	\$ 1,277,383	\$ 1,277,383	\$ 0
Construction in progress	2,275,543	2,236,995	38,548
Water facilities	3,722,745	3,848,844	(126,099)
Sewer facilities	7,986,485	8,232,783	(246,298)
Drainage facilities	304,989	313,167	(8,178)
Totals	<u>\$ 15,567,145</u>	<u>\$ 15,909,172</u>	<u>\$ (342,027)</u>

Changes to capital assets during the fiscal year ended August 31, 2019, are summarized as follows:

Additions:		
Sanitary sewer system improvements	\$	38,548
Joint water plant improvements		<u>6,857</u>
Total additions to capital assets		45,405
Decreases:		
Depreciation		<u>(387,432)</u>
Net change to capital assets	\$	<u>(342,027)</u>

Debt

Changes in the bonded debt position of the District during the fiscal year ended August 31, 2019, are summarized as follows:

Bonded debt payable, beginning of year	\$ 13,055,000
Refunding bonds sold	3,880,000
Bonds refunded	(4,550,000)
Bonds paid	<u>(1,340,000)</u>
Bonded debt payable, end of year	<u>\$ 11,045,000</u>

At August 31, 2019, the District had \$17,665,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

On August 29, 2019, the District issued \$3,880,000 in unlimited tax refunding bonds to refund \$4,550,000 of outstanding Series 2012 and 2013 bonds. The net proceeds of \$4,638,883 (after payment of \$145,847 in underwriting fees, insurance and other issuance costs) were deposited in an irrevocable trust with an escrow agent for the refunded bonds to call and retire the refunded bonds on September 5, 2019. As a result, the refunded bonds are considered defeased and the liability for these bonds will be removed from the financial statements.

The District refunded the bonds to reduce total debt service payments over future years by approximately \$369,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$266,000.

The District's bonds have an underlying rating of A- from Standard & Poor's. The Series 2006 bonds are insured by Ambac Assurance Corp. The issue rating of the Series 2006 bonds is A- by Standard & Poor's. The Series 2012 bonds are insured by Assured Guaranty Municipal Corp. and the Series 2013, 2013A and 2019 bonds are insured by Build America Mutual Assurance Company. Because of the insurance, these bonds are rated AA by Standard & Poor's. There was no change in the bond ratings during the fiscal year ended August 31, 2019.

As further described in Note 5 of the notes to the financial statements, developers within the District are currently constructing certain underground facilities within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality and subject to the terms of an agreement between the District and the applicable developer. The District's engineer stated that cost of the construction in progress at August 31, 2019, was \$2,234,583.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$3,760,000 for the 2018 tax year (approximately 1%) due to the increase in the valuation of existing property in the District.

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, subject to the agreement described below. 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.

Utilizing a provision of Texas law, the City of Houston ("City") and the District entered into a Strategic Partnership Agreement ("SPA") effective as of March 30, 2005. The SPA provides for the limited purpose annexation of certain developed commercial tracts within the District into the City for the limited purposes of imposition of the City's Sales and Use Tax, certain municipal court jurisdictions, and health inspection services and enforcement. No other City services are provided. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City. Additional properties may become subject to the SPA by amending the SPA upon the consent of the City and the District. The term of the SPA is 30 years. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

The City has imposed a Sales and Use Tax within the boundaries of the areas subject to the limited-purpose annexation by the City of Houston. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the such areas and received by the City from the Comptroller of Public Accounts of the State of Texas.

Water Supply Issues

The District is within the Harris-Galveston Subsidence District (the "Subsidence District") Regulatory Area No. 3. The Subsidence District regulates the withdrawal of groundwater within its jurisdiction. The District's authority to pump ground water from its well is subject to annual permits issued by the Subsidence District. The Subsidence District has ordered certain areas of suburban Houston to convert most of their water supply to surface water under various schedules. Beginning in January 2003, the District was required to have a groundwater reduction plan ("GRP"), approved by the Subsidence District and by January 2005, the District must have provided evidence to the Subsidence District that construction of the infrastructure defined within the District's certified groundwater reduction plan has started. The Subsidence District designated January 2010, as the date required for the District to restrict the withdrawal of ground water and convert 30% of its total water use to surface water; January 2025, as the date required for the District to restrict the withdrawal of ground water and convert 60% of its total water use to surface water and January 2035, as the date required for the District to restrict the withdrawal of ground water and convert 80% of its total water use to surface water. If the District does not meet the requirements of the Subsidence District, the District may be required to pay the disincentive fees adopted by the Subsidence District.

In May, 2001, the Texas Legislature created the West Harris County Regional Water Authority (the "Authority") and included the District within the boundaries of the Authority. The Authority was created to provide a regional entity to build the necessary facilities to meet the subsidence District's requirements for conversion from ground water to surface water of all permit holders within its boundaries, including the District. Accordingly, the District is required to pay groundwater reduction plan fees to the Authority, and in turn is entitled to rely upon the Authority's GRP to achieve compliance with the subsidence District's requirements. In accordance with the GRP, the Authority has negotiated a water supply contract with the City of Houston and has issued revenue bonds to finance the surface water supply system. The Authority may establish such fees, charges, or tolls as necessary to accomplish its purposes. The Authority's surface water pumpage fee was equal to \$2.95 as of August 31, 2019, and is expected to increase in the future. The Authority's surface water usage fee was equal to \$3.35 as of August 31, 2019, and is expected to increase in the future.

The District cannot predict the amount or level of fees and charges which may be due the Authority for future years, but anticipates that it will pass such fees through to its customers in higher water rates. In addition, conversion to surface water will necessitate improvements to the District's water supply system, which could require issuance of additional bonds. In the event the Authority fails to commence construction of surface water infrastructure by the deadline established by the Subsidence District, the District and others within the Authority's GRP group could be required to pay the disincentive fee on withdrawn groundwater. This disincentive fee is substantial, and the District expects it would need to pass such fee through to its customers in higher water rates. This disincentive fee would be in addition to the Authority's fee.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

AUGUST 31, 2019

	General	Special Revenue Fund	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS							
Cash, including interest-bearing accounts, Note 7	\$ 155,276	\$ 45,847	\$ 99,288	\$ 301	\$ 300,712	\$	\$ 300,712
Certificates of deposit, at cost, Note 7	3,010,000		480,000		3,490,000		3,490,000
Temporary investments, at cost, Note 7	489,937		365,388	580,120	1,435,445		1,435,445
Receivables:							
Property taxes	6,673		26,746		33,419		33,419
Accrued penalty and interest on property taxes					0	9,321	9,321
Service accounts	101,537				101,537		101,537
Sales and Use Taxes, Note 11	62,404				62,404		62,404
Due from participant in joint plant		106,769			106,769		106,769
Accrued interest	40,962		2,054		43,016		43,016
Other	8,663				8,663		8,663
Due from other fund		153,089			153,089	(153,089)	0
Maintenance taxes collected not yet transferred from other fund	1,833				1,833	(1,833)	0
Advance for construction	6,000				6,000		6,000
Prepaid bond issuance expenditures	36,800				36,800		36,800
Operating reserve at joint plants, Note 9	144,913				144,913	(134,233)	10,680
Capital assets, net of accumulated depreciation, Note 4:							
Capital assets not being depreciated					0	3,552,926	3,552,926
Depreciable capital assets					0	12,014,219	12,014,219
Total assets	\$ 4,064,998	\$ 305,705	\$ 973,476	\$ 580,421	\$ 5,924,600	15,287,311	21,211,911
LIABILITIES							
Accounts payable	\$ 84,000	\$ 106,587	\$ 6,434	\$ 881	\$ 197,902		197,902
Customer and builder deposits	187,236				187,236		187,236
Due to other fund	153,089				153,089	(153,089)	0
Maintenance taxes collected not yet transferred to other fund			1,833		1,833	(1,833)	0
Other district equity in joint plant					0	64,885	64,885
Long-term liabilities, Note 5:							
Due within one year					0	1,286,913	1,286,913
Due in more than one year					0	12,128,534	12,128,534
Total liabilities	424,325	106,587	8,267	881	540,060	13,325,410	13,865,470
DEFERRED INFLOWS OF RESOURCES							
Property tax revenues	6,673	0	26,746	0	33,419	(33,419)	0
FUND BALANCES / NET POSITION							
Fund balances:							
Reserved for:							
Operating reserve at joint plants, Note 9	144,913				144,913	(144,913)	0
Committed to:							
Capital repairs and replacements	510,000				510,000	(510,000)	0
Assigned to:							
Debt service			938,463		938,463	(938,463)	0
Capital projects				579,540	579,540	(579,540)	0
Operating reserve at joint water plant, Note 9		199,118			199,118	(199,118)	0
Unassigned	2,979,087				2,979,087	(2,979,087)	0
Total fund balances	3,634,000	199,118	938,463	579,540	5,351,121	(5,351,121)	0
Total liabilities, deferred inflows, and fund balances	\$ 4,064,998	\$ 305,705	\$ 973,476	\$ 580,421	\$ 5,924,600		
Net position:							
Invested in capital assets, net of related debt						2,151,698	2,151,698
Restricted for debt service						974,530	974,530
Restricted for capital projects						579,540	579,540
Unrestricted						3,640,673	3,640,673
Total net position						\$ 7,346,441	\$ 7,346,441

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276

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

FOR THE YEAR ENDED AUGUST 31, 2019

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES							
Property taxes	\$ 505,319		\$ 1,594,060		\$ 2,099,379	\$ (3,050)	\$ 2,096,329
Water service	495,455				495,455		495,455
Sewer service	533,278				533,278		533,278
Surface water fees, Note 10	513,418				513,418		513,418
From participants in plant		1,071,173			1,071,173	(706,147)	365,026
Penalty and interest	52,173		22,901		75,074	(1,186)	73,888
Sales and Use Taxes, Note 11	258,698				258,698		258,698
Accrued interest on bonds received at date of sale			4,344		4,344	(4,344)	0
Interest on deposits and investments	85,436	209	37,898	14,219	137,762		137,762
Other revenues	23,871				23,871		23,871
Total revenues	2,467,648	1,071,382	1,659,203	14,219	5,212,452	(714,727)	4,497,725
EXPENDITURES / EXPENSES							
Service operations:							
Purchased services, Note 9	746,868				746,868	(692,433)	54,435
Professional fees	132,494	2,495	6,240	4,808	146,037		146,037
Contracted services	112,346	7,454	40,131		159,931		159,931
Utilities	48,405	40,230			88,635		88,635
Surface water fees, Note 10		838,981			838,981		838,981
Repairs and maintenance	266,428	90,459			356,887		356,887
Other operating expenditures	85,601	66,899			152,500		152,500
Garbage disposal	263,710				263,710		263,710
Administrative expenditures	51,924	11,150	4,369		67,443		67,443
Depreciation					0	387,432	387,432
Capital outlay / non-capital outlay	45,405	13,714			59,119	(59,119)	0
Debt service:							
Principal retirement			1,340,000		1,340,000	(1,340,000)	0
Bond issuance expenditures					0	145,846	145,846
Interest and fees			347,994		347,994	9,101	357,095
Total expenditures / expenses	1,753,181	1,071,382	1,738,734	4,808	4,568,105	(1,549,173)	3,018,932
Excess (deficiency) of revenues over expenditures	714,467	0	(79,531)	9,411	644,347	834,446	1,478,793
OTHER FINANCING SOURCES (USES)							
Refunding bonds issued, Note 5			3,880,000		3,880,000	(3,880,000)	0
Bond issuance premium, Note 5			200,753		200,753	(200,753)	0
Payment to refunding escrow agent, Note 5	(703,976)		(3,934,907)		(4,638,883)	4,638,883	0
Refunding bond issuance expenditures, Note 5			(145,846)		(145,846)	145,846	0
Increase (decrease) in operating reserve		19,170			19,170	(19,170)	0
Total other financing sources (uses)	(703,976)	19,170	0	0	(684,806)	684,806	0
Net change in fund balances / net position	10,491	19,170	(79,531)	9,411	(40,459)	1,519,252	1,478,793
Beginning of year	3,623,509	179,948	1,017,994	570,129	5,391,580	476,068	5,867,648
End of year	<u>\$ 3,634,000</u>	<u>\$ 199,118</u>	<u>\$ 938,463</u>	<u>\$ 579,540</u>	<u>\$ 5,351,121</u>	<u>\$ 1,995,320</u>	<u>\$ 7,346,441</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276NOTES TO THE FINANCIAL STATEMENTSAUGUST 31, 2019

NOTE 1: REPORTING ENTITY

Harris County Municipal Utility District No. 276 (the "District") was created by an order of the Texas Water Commission (now the Texas Commission on Environmental Quality) effective November 1, 1984, 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 November 9, 1984, and the first bonds were sold on May 21, 2002. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

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

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

The District is the owner and manager of the Harris County Municipal Utility District Nos. 276 and 166 Joint Water Plants (the "Plants"). Oversight of the Plants is exercised by the Board of Directors of the District and financial activity of the Plant has been included as a component unit in the financial statements of the District. The Plants' General Fund has been reported as the Special Revenue Fund of the District. Transactions with this joint venture are described in Note 9.

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 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.

Special Revenue Fund -- To account for all revenues and expenditures of the general operations of the Harris County Municipal Utility District Nos. 276 and 166 Joint Water Plants.

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:

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 5,351,121
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		15,567,145
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	\$ (11,045,000)	
Deferred charge on refunding (to be amortized as interest expense)	(16,154)	
Issuance premium, net of discount (to be amortized as interest expense)	(119,710)	
Due to developers	<u>(2,234,583)</u>	(13,415,447)
The assets in the special revenue fund are owned by the District and other participants in the joint venture:		
The District's equity	(134,233)	
Other participants' equity	<u>(64,885)</u>	(199,118)
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	9,321	
Uncollected property taxes	<u>33,419</u>	<u>42,740</u>
Net position, end of year		<u>\$ 7,346,441</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		\$ (40,459)
<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	\$ 45,405	
Depreciation	<u>(387,432)</u>	(342,027)
<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>		
Sale of refunding bonds	(3,880,000)	
Principal reduction	1,340,000	
Payment to escrow agent for refunding	<u>4,638,883</u>	2,098,883
<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	(36,977)	
Issuance premium, net of discount	<u>(177,221)</u>	(214,198)
<p>Changes in the special revenue fund reserve are due to contributions by participants in the Joint Venture</p>		
		(19,170)
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Accrued penalty and interest on property taxes receivable	(1,186)	
Uncollected property taxes	<u>(3,050)</u>	<u>(4,236)</u>
Change in net position		<u>\$ 1,478,793</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended August 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land, easements and detention ponds	\$ 1,277,383	\$	\$	\$ 1,277,383
Construction in progress	<u>2,236,995</u>	<u>38,548</u>		<u>2,275,543</u>
Total capital assets not being depreciated	<u>3,514,378</u>	<u>38,548</u>	<u>0</u>	<u>3,552,926</u>
Depreciable capital assets:				
Water system	5,568,909	6,857		5,575,766
Sewer system	10,490,066			10,490,066
Drainage system	<u>367,191</u>			<u>367,191</u>
Total depreciable capital assets	<u>16,426,166</u>	<u>6,857</u>	<u>0</u>	<u>16,433,023</u>
Less accumulated depreciation for:				
Water system	(1,720,065)	(132,956)		(1,853,021)
Sewer system	(2,257,283)	(246,298)		(2,503,581)
Drainage system	<u>(54,024)</u>	<u>(8,178)</u>		<u>(62,202)</u>
Total accumulated depreciation	<u>(4,031,372)</u>	<u>(387,432)</u>	<u>0</u>	<u>(4,418,804)</u>
Total depreciable capital assets, net	<u>12,394,794</u>	<u>(380,575)</u>	<u>0</u>	<u>12,014,219</u>
Total capital assets, net	<u>\$ 15,909,172</u>	<u>\$ (342,027)</u>	<u>\$ 0</u>	<u>\$ 15,567,145</u>
Changes to capital assets:				
Capital outlay		\$ 45,405	\$	
Less depreciation expense for the fiscal year		<u>(387,432)</u>		
Net increases / decreases to capital assets		<u>\$ (342,027)</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended August 31, 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	\$ 13,055,000	\$ 3,880,000	\$ 5,890,000	\$ 11,045,000	\$ 1,290,000
Plus deferred amounts:					
For issuance (discounts)/premiums	177,656	200,753	258,699	119,710	12,683
For refunding	<u>(167,107)</u>	<u>76,663</u>	<u>(106,598)</u>	<u>16,154</u>	<u>(15,770)</u>
Total bonds payable	<u>13,065,549</u>	<u>4,157,416</u>	<u>6,042,101</u>	<u>11,180,864</u>	<u>1,286,913</u>
Due to developers (see below)	<u>2,234,583</u>	<u>0</u>	<u>0</u>	<u>2,234,583</u>	-----
Total long-term liabilities	<u>\$ 15,300,132</u>	<u>\$ 4,157,416</u>	<u>\$ 6,042,101</u>	<u>\$ 13,415,447</u>	<u>\$ 1,286,913</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Bonds payable, beginning of year		\$ 13,055,000
Bonds paid		(1,340,000)
Refunding bonds sold:		
Proceeds	\$ 4,080,753	
Premium	<u>(200,753)</u>	3,880,000
Bonds refunded		<u>(4,550,000)</u>
Bonds payable, end of year		<u>\$ 11,045,000</u>

Developer Construction Commitments and Liabilities

Developers within the District are currently constructing certain underground facilities within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality and subject to the terms of an agreement between the District and the applicable developer. The District's engineer stated that cost of the construction in progress at August 31, 2019, was \$2,234,583. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

The principal and interest payments due September 1 are usually paid on or before August 31. The following schedule shows the amounts due assuming that this practice will be followed in the future. As of August 31, 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	\$ 1,290,000	\$ 337,158	\$ 1,627,158
2021	1,305,000	294,100	1,599,100
2022	1,155,000	257,206	1,412,206
2023	1,170,000	222,556	1,392,556
2024	1,175,000	187,456	1,362,456
2025 - 2029	2,950,000	536,924	3,486,924
2030 - 2034	1,525,000	231,969	1,756,969
2035 - 2036	<u>475,000</u>	<u>24,500</u>	<u>499,500</u>
	<u>\$ 11,045,000</u>	<u>\$ 2,091,869</u>	<u>\$ 13,136,869</u>

Bonds voted	\$ 44,000,000
Bonds approved for sale and sold	26,335,000
Bonds voted and not issued	17,665,000
Refunding bonds voted	44,000,000
Refunding bonds approved for sale and applied against voted authorization	913,803
Refunding bonds voted and not issued	43,086,197

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The principal and interest payments due September 1 are usually paid on or before August 31. The following schedule shows the amounts due assuming that this practice will be followed in the future. The bond issues payable at August 31, 2019, were as follows:

	<u>Series 2006</u>	<u>Refunding Series 2012</u>	<u>Refunding Series 2013</u>
Amounts outstanding, August 31, 2019	\$300,000	\$1,375,000	\$240,000
Interest rates	4.00%	3.00%	2.25%
Maturity dates, serially beginning/ending	September 1, 2020/2021	September 1, 2020/2021	September 1, 2020/2021
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	September 1, 2014*	September 1, 2019*	September 1, 2019*
		<u>Refunding Series 2019**</u>	
Amounts outstanding, August 31, 2019	<u>Series 2013A</u> \$5,250,000	\$3,880,000	
Interest rates	2.375% to 3.50%	2.00% to 3.00%	
Maturity dates, serially beginning/ending	September 1, 2020/2036	September 1, 2020/2027	
Interest payment dates	March 1/September 1	March 1/September 1	
Callable dates	September 1, 2019*	September 1, 2025*	

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

**On August 29, 2019, the District issued \$3,880,000 in unlimited tax refunding bonds to refund \$4,550,000 of outstanding Series 2012 and 2013 bonds. The net proceeds of \$4,638,883 (after payment of \$145,847 in underwriting fees, insurance and other issuance costs) were deposited in an irrevocable trust with an escrow agent for the refunded bonds to call and retire the refunded bonds on September 5, 2019. As a result, the refunded bonds are considered defeased and the liability for these bonds will be removed from the financial statements.

The District refunded the bonds to reduce total debt service payments over future years by approximately \$369,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$266,000.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At an election held November 6, 2001, the voters within the District authorized a maintenance tax not to exceed \$1.50 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 10, 2018 the District levied the following ad valorem taxes for the 2018 tax year on the adjusted taxable valuation of \$391,250,490:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.4100	\$ 1,604,127
Maintenance	<u>0.1300</u>	<u>508,626</u>
	<u>\$ 0.5400</u>	<u>\$ 2,112,753</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	\$ 2,112,753
Appraisal district adjustments to prior year taxes	<u>(16,424)</u>
Statement of Activities property tax revenues	<u>\$ 2,096,329</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 an authorized private sector investment pool (Texas CLASS). The private sector investment pool 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 carrying amount of the District's deposits was \$3,790,712 and the bank balance was \$4,013,079. Of the bank balance, \$3,617,807 was covered by federal insurance and \$395,272 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Atlanta.

At the balance sheet date the carrying value and market value of the investments in the authorized private sector investment pool was \$1,435,445.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Debt Service Fund

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

Cash	\$	99,288
Certificates of deposit		480,000
Temporary investments		<u>365,388</u>
	\$	<u>944,676</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$	301
Temporary investments		<u>580,120</u>
	\$	<u>580,421</u>

NOTE 8: RISK MANAGEMENT

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

At August 31, 2019, the District had physical damage and boiler and machinery coverage of \$6,520,000, comprehensive general liability coverage with a per occurrence limit of \$2,000,000 and \$4,000,000 general aggregate, consultant's crime coverage of \$10,000 and a tax assessor-collector bond of \$10,000.

NOTE 9: CONTRACTS WITH OTHER DISTRICTS

Joint Water Plants

The District is the manager of the Harris County Municipal Utility District Nos. 276 and 166 Joint Water Plants (the "Plants"). On April 7, 2000 (amended August 20, 2003, November 1, 2004, April 9, 2008, February 20, 2015 and May 19, 2017) Harris County Municipal Utility District No. 276 and Harris County Municipal Utility District No. 166 entered into a Water Supply Contract. The term of the contract is 50 years. At August 31, 2019, ownership of each participating district's operating capacity in Water Plant No. 1 was as follows: Harris County Municipal Utility District No. 276 -- 55.57%; Harris County Municipal Utility District No. 166 -- 44.43%. At August 31, 2019, ownership of each participating district's operating capacity in Water Plant No. 2 was as follows: Harris County Municipal Utility District No. 276 -- 50.00%; Harris County Municipal Utility District No. 166 -- 50.00%. Oversight of the Plants is exercised by the Board of Directors of the District and financial activity of the Plants has been included in the financial statements of the District. The Plants' funds have been reported as the Special Revenue Fund of the District. Construction costs of the Plants are funded by the contribution of funds from each participating district. Expansion costs of the Plants are to be based upon each participant's share of the expansion. The Plants issues no debt.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Each participant is responsible for its share of the operating costs of the Plants. Participants are billed a monthly amount which is based upon actual costs incurred during the prior month as allocated based upon capacity owned and the number of equivalent connections within each participating district. The District has contributed \$134,233 of the Plants' \$199,118 operating reserve. The District's share of operating and capital costs was \$699,290 and \$6,857, respectively, for the year ended August 31, 2019.

Joint Wastewater Treatment Plant

On January 10, 1984 (amended April 9, 1985, May 19, 1988, April 11, 2001, January 14, 2003, and February 1, 2011) the District and Jackrabbit Road Public Utility District entered into a 40 year Waste Disposal Contract (term extended to March 29, 2041 as amended April 11, 2001). At August 31, 2019, the District owned 3.87% of the treatment facility. Oversight of the treatment facility is exercised by the Board of Directors of Jackrabbit Road Public Utility District. Construction costs of the treatment facility are funded by the contribution of funds from each participating district. Expansion costs of the treatment facility are to be based upon each participant's share of the expansion. The treatment facility issues no debt. Each participant is responsible only for its share of the operating costs of the treatment facility. Participants are billed a monthly amount which is based upon actual costs incurred during the prior month as allocated based upon capacity owned. The District has contributed \$10,680 of the treatment facility's operating reserve. The District's share of operating costs was \$47,578 for the year ended August 31, 2019.

NOTE 10: REGIONAL WATER AUTHORITY

The West Harris County Regional Water Authority (the "Authority") was created by House Bill 1842, Acts of the 77th Legislature, Regular Session 2003. The Authority is a political subdivision of the State of Texas, governed by an elected nine member Board of Directors. The Authority is empowered to, among other powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, as of August 31, 2019, the Authority had established a well pumpage fee of \$2.95 per 1,000 gallons of water pumped from each regulated well and surface water usage fees of \$3.35 per 1,000 gallons. The surface water fees payable by the Special Revenue Fund to the Authority for the fiscal year ended August 31, 2019, were \$838,981, of which \$564,606 was charged to the District. The District billed its customers \$513,418 during the fiscal year to pay for the fees charged by the Authority.

NOTE 11: STRATEGIC PARTNERSHIP AGREEMENT

Effective March 30, 2005, the District and the City of Houston (the "City") entered into a 30 year Strategic Partnership Agreement (the "Agreement"). Under the terms of the Agreement, the City annexed a portion of the District (the "Partial District") for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Partial District. The Agreement states that the District and all taxable property within the District shall not be liable for any present or future debts of the City and current and future taxes levied by the City shall not be levied on taxable property with the District. The City agreed that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement.

The City has imposed a Sales and Use Tax within the boundaries of the areas subject to the limited-purpose annexation by the City of Houston. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the such areas and received by the City from the Comptroller of Public Accounts of the State of Texas. The District accrued Sales and Use Tax revenues of \$258,698 from the City for the year ended August 31, 2019, of which \$62,404 was receivable at that date.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED AUGUST 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Property taxes	\$ 393,540	\$ 393,540	\$ 505,319	\$ 111,779
Water service	515,500	515,500	495,455	(20,045)
Sewer service	547,400	547,400	533,278	(14,122)
Surface water fees	687,800	687,800	513,418	(174,382)
Penalty	51,700	51,700	52,173	473
Tap connection and inspection fees	0	0	0	0
Sales and Use Taxes	255,200	255,200	258,698	3,498
Interest on deposits and investments	19,415	19,415	85,436	66,021
Other revenues	22,073	22,073	23,871	1,798
TOTAL REVENUES	<u>2,492,628</u>	<u>2,492,628</u>	<u>2,467,648</u>	<u>(24,980)</u>
EXPENDITURES				
Service operations:				
Purchased sewer services	869,462	869,462	746,868	(122,594)
Professional fees	165,050	165,050	132,494	(32,556)
Contracted services	111,400	111,400	112,346	946
Utilities	55,200	55,200	48,405	(6,795)
Repairs and maintenance	259,363	259,363	266,428	7,065
Other operating expenditures	80,500	80,500	85,601	5,101
Garbage disposal	287,500	287,500	263,710	(23,790)
Administrative expenditures	80,507	80,507	51,924	(28,583)
Capital outlay	130,000	130,000	45,405	(84,595)
TOTAL EXPENDITURES	<u>2,038,982</u>	<u>2,038,982</u>	<u>1,753,181</u>	<u>(285,801)</u>
EXCESS REVENUES (EXPENSES)	<u>453,646</u>	<u>453,646</u>	<u>714,467</u>	<u>260,821</u>
OTHER FINANCING SOURCES (USES)				
Payment to refunding escrow agent	0	0	(703,976)	(703,976)
TOTAL OTHER FINANCIAL SOURCES (USES)	<u>0</u>	<u>0</u>	<u>(703,976)</u>	<u>(703,976)</u>
EXCESS SOURCES (USES)	453,646	453,646	10,491	(443,155)
FUND BALANCE, BEGINNING OF YEAR	<u>3,623,509</u>	<u>3,623,509</u>	<u>3,623,509</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 4,077,155</u>	<u>\$ 4,077,155</u>	<u>\$ 3,634,000</u>	<u>\$ (443,155)</u>

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, SPECIAL REVENUE FUND
FOR THE YEAR ENDED AUGUST 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From participants in plants:				
Harris County Municipal Utility District No. 276	\$ 805,398	\$ 805,398	\$ 706,147	\$ (99,251)
Harris County Municipal Utility District No. 166	389,309	389,309	365,026	(24,283)
Interest on deposits and investments	150	150	209	59
TOTAL REVENUES	<u>1,194,857</u>	<u>1,194,857</u>	<u>1,071,382</u>	<u>(123,475)</u>
EXPENDITURES				
Service operations:				
Professional fees	1,575	1,575	2,495	920
Contracted services	7,000	7,000	7,454	454
Utilities	42,000	42,000	40,230	(1,770)
Surface water fees	909,100	909,100	838,981	(70,119)
Repairs and maintenance	132,000	132,000	90,459	(41,541)
Other operating expenditures	92,200	92,200	66,899	(25,301)
Administrative expenditures	10,982	10,982	11,150	168
Capital outlay	0	0	13,714	13,714
TOTAL EXPENDITURES	<u>1,194,857</u>	<u>1,194,857</u>	<u>1,071,382</u>	<u>(123,475)</u>
EXCESS REVENUES (EXPENSES)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Increase (decrease) in operating reserve	0	0	19,170	19,170
TOTAL OTHER FINANCIAL SOURCES (USES)	<u>0</u>	<u>0</u>	<u>19,170</u>	<u>19,170</u>
EXCESS SOURCES (USES)	<u>0</u>	<u>0</u>	<u>19,170</u>	<u>19,170</u>
FUND BALANCE, BEGINNING OF YEAR	<u>179,948</u>	<u>179,948</u>	<u>179,948</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 179,948</u>	<u>\$ 179,948</u>	<u>\$ 199,118</u>	<u>\$ 19,170</u>

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276

SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

AUGUST 31, 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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276

SCHEDULE OF SERVICES AND RATES

AUGUST 31, 2019

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

- | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> 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 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:	\$21.40	10,000	N	\$1.25	Over 10,000
WASTEWATER:	\$30.59		Y		
SURCHARGE:	\$3.35 per 1,000 gallons of water used. – WHCRWA surface water fees.				

District employs winter averaging for wastewater usage: Yes No

Total charges per 10,000 gallons usage: Water: \$21.40 Wastewater: \$30.59 Surcharge: \$33.50

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276

SCHEDULE OF SERVICES AND RATES (Continued)

AUGUST 31, 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"	1,244	1,236	1.0	1,236
1"	24	20	2.5	50
1-1/2"	16	16	5.0	80
2"	45	44	8.0	352
3"	1	1	15.0	15
4"	0	0	25.0	0
6"	1	1	50.0	50
8"	1	1	80.0	80
10"	0	0	115.0	0
Total Water	<u>1,332</u>	<u>1,319</u>		<u>1,863</u>
Total Wastewater	<u>1,272</u>	<u>1,262</u>	1.0	<u>1,262</u>

*Single family equivalents

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

Gallons pumped into system (unaudited): 254,769
 Gallons billed to customers (unaudited): 235,463

Water Accountability Ratio
 (Gallons billed/ gallons pumped): 92%

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: _____

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276

EXPENDITURES

FOR THE YEAR ENDED AUGUST 31, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT					
Purchased services:					
Water	\$ 134,684	\$	\$	\$	\$ 134,684
Surface water fees through joint plant	564,606				564,606
Sewer	47,578				47,578
	<u>746,868</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>746,868</u>
Professional fees:					
Auditing	10,550	1,575			12,125
Legal	86,808		6,240	4,808	97,856
Engineering	35,136	920			36,056
	<u>132,494</u>	<u>2,495</u>	<u>6,240</u>	<u>4,808</u>	<u>146,037</u>
Contracted services:					
Bookkeeping	32,679	7,454			40,133
Operation and billing	78,167				78,167
Sales tax consultant	1,500				1,500
Tax assessor-collector Central appraisal district			24,616		24,616
	<u>112,346</u>	<u>7,454</u>	<u>15,515</u>	<u>0</u>	<u>159,931</u>
Utilities	<u>48,405</u>	<u>40,230</u>	<u>0</u>	<u>0</u>	<u>88,635</u>
Surface water fees:	<u>0</u>	<u>838,981</u>	<u>0</u>	<u>0</u>	<u>838,981</u>
Repairs and maintenance	<u>266,428</u>	<u>90,459</u>	<u>0</u>	<u>0</u>	<u>356,887</u>
Other operating expenditures:					
Sludge hauling	35,435				35,435
Chemicals	8,162	1,752			9,914
Laboratory costs	26,023				26,023
Inspection costs	9,408				9,408
Generator lease		63,600			63,600
TCEQ assessment	5,066				5,066
Other	1,507	1,547			3,054
	<u>85,601</u>	<u>66,899</u>	<u>0</u>	<u>0</u>	<u>152,500</u>
Garbage disposal	<u>263,710</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>263,710</u>
Administrative expenditures:					
Director's fees	7,200				7,200
Office supplies and postage	17,746	292			18,038
Insurance	15,314	7,359	100		22,773
Permit fees	6,482				6,482
Arbitrage calculations	400				400
Other	4,782	3,499	4,269		12,550
	<u>51,924</u>	<u>11,150</u>	<u>4,369</u>	<u>0</u>	<u>67,443</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276

EXPENDITURES (Continued)

FOR THE YEAR ENDED AUGUST 31, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CAPITAL OUTLAY					
Authorized expenditures	\$ 45,405	\$ 13,714	\$ 0	\$ 0	\$ 59,119
DEBT SERVICE					
Principal retirement	0	0	1,340,000	0	1,340,000
Interest and fees:					
Interest			345,444		345,444
Paying agent fees			2,550		2,550
	<u>0</u>	<u>0</u>	<u>347,994</u>	<u>0</u>	<u>347,994</u>
TOTAL EXPENDITURES	<u>\$ 1,753,181</u>	<u>\$ 1,071,382</u>	<u>\$ 1,738,734</u>	<u>\$ 4,808</u>	<u>\$ 4,568,105</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED AUGUST 31, 2019

	<u>General Fund</u>	<u>Special Revenue 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	\$ 1,933,944	\$1,043,724	\$ 1,657,944	\$ 14,219	\$ 4,649,831
Maintenance tax collections			505,319		505,319
Maintenance tax transfers	503,746				503,746
Proceeds from sale of bonds			4,080,753		4,080,753
Increase in customer and builder deposits	14,491				14,491
Increase in reserve		19,170			19,170
Receipt of interfund receivable				11,251	11,251
Overpayments from taxpayers			9,395		9,395
	<u>2,452,181</u>	<u>1,062,894</u>	<u>6,253,411</u>	<u>25,470</u>	<u>9,793,956</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS					
Cash disbursements for:					
Current expenditures	1,723,302	1,071,855	35,289	3,927	2,834,373
Capital outlay	45,405	13,714			59,119
Debt service			1,687,994		1,687,994
Payment of interfund payable	11,251				11,251
Increase in reserve at joint plants	12,526				12,526
Payment to refunding escrow agent	703,976		3,934,907		4,638,883
Refunding bond issuance expenditures			145,846		145,846
Maintenance tax transfers			503,746		503,746
Refund of taxpayer overpayments			18,497		18,497
	<u>2,496,460</u>	<u>1,085,569</u>	<u>6,326,279</u>	<u>3,927</u>	<u>9,912,235</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	(44,279)	(22,675)	(72,868)	21,543	(118,279)
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>3,699,492</u>	<u>68,522</u>	<u>1,017,544</u>	<u>558,878</u>	<u>5,344,436</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 3,655,213</u>	<u>\$ 45,847</u>	<u>\$ 944,676</u>	<u>\$ 580,421</u>	<u>\$ 5,226,157</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

AUGUST 31, 2019

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Certificates of Deposit				
No. 91300011867221	2.55%	3/16/20	\$ 200,000	\$ 4,038
No. 6774507033	2.50%	7/14/20	200,000	644
No. 582	2.75%	1/15/20	200,000	4,822
No. 12095	2.40%	11/17/19	100,000	2,492
No. 44005419	2.70%	2/15/20	200,000	2,915
No. 313577	2.71%	5/18/20	100,000	1,693
No. 4189948	2.06%	9/15/19	100,000	2,319
No. 2000000071	2.65%	3/15/20	200,000	2,454
No. 15448	2.50%	12/15/19	200,000	4,795
No. 3216000124	2.60%	4/23/20	200,000	1,838
No. 6000023355	2.60%	7/14/20	200,000	669
No. 7764	2.45%	4/14/20	200,000	3,490
No. 9009004134	2.60%	6/16/20	200,000	1,068
No. 33507	2.65%	5/16/20	200,000	1,554
No. 83188730	2.40%	10/05/19	240,000	4,166
No. 12306	2.65%	4/16/20	50,000	494
No. 4190388	2.50%	1/07/20	100,000	1,171
No. 460019561	2.65%	7/23/20	<u>120,000</u>	<u>340</u>
			<u>\$ 3,010,000</u>	<u>\$ 40,962</u>
Texas CLASS				
No. TX-01-0384-0001	Market	On demand	<u>\$ 489,937</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
Certificates of Deposit				
No. 4190533	2.50%	1/26/20	\$ 240,000	\$ 2,006
No. 36000132	2.45%	8/27/20	<u>240,000</u>	<u>48</u>
			<u>\$ 480,000</u>	<u>\$ 2,054</u>
Texas CLASS				
No. TX-01-0384-0007	Market	On demand	<u>\$ 365,388</u>	<u>\$ 0</u>
CAPITAL PROJECTS FUND				
Texas CLASS				
No. TX-01-0384-0008	Market	On demand	<u>\$ 580,120</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 4,925,445</u>	<u>\$ 43,016</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276TAXES LEVIED AND RECEIVABLEFOR THE YEAR ENDED AUGUST 31, 2019

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 6,464	\$ 30,005
Additions and corrections to prior year taxes	<u>(3,098)</u>	<u>(13,326)</u>
Adjusted receivable, beginning of year	3,366	16,679
2018 ADJUSTED TAX ROLL	<u>508,626</u>	<u>1,604,127</u>
Total to be accounted for	511,992	1,620,806
Tax collections: Current tax year	(504,862)	(1,592,257)
Prior tax years	<u>(457)</u>	<u>(1,803)</u>
RECEIVABLE, END OF YEAR	<u>\$ 6,673</u>	<u>\$ 26,746</u>
RECEIVABLE, BY TAX YEAR		
2014	\$ 619	\$ 3,782
2015	907	5,258
2016	593	2,282
2017	790	3,554
2018	<u>3,764</u>	<u>11,870</u>
RECEIVABLE, END OF YEAR	<u>\$ 6,673</u>	<u>\$ 26,746</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED AUGUST 31, 2019

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land	\$ 85,439,742	\$ 80,689,198	\$ 77,393,569	\$ 73,495,633
Improvements	300,283,369	299,358,532	294,852,534	260,358,972
Personal property	13,791,202	14,276,327	14,233,354	13,524,231
Less exemptions	<u>(8,263,823)</u>	<u>(6,833,835)</u>	<u>(7,242,756)</u>	<u>(7,396,937)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 391,250,490</u>	 <u>\$ 387,490,222</u>	 <u>\$ 379,236,701</u>	 <u>\$ 339,981,899</u>
 TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.41000	\$ 0.45000	\$ 0.50000	\$ 0.58000
Maintenance tax rates*	<u>0.13000</u>	<u>0.10000</u>	<u>0.13000</u>	<u>0.10000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.54000</u>	 <u>\$ 0.55000</u>	 <u>\$ 0.63000</u>	 <u>\$ 0.68000</u>
 TAX ROLLS	 <u>\$ 2,112,753</u>	 <u>\$ 2,131,196</u>	 <u>\$ 2,389,191</u>	 <u>\$ 2,311,877</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED	 <u>99.3 %</u>	 <u>99.8 %</u>	 <u>99.9 %</u>	 <u>99.7 %</u>

*Maximum tax rate approved by voters on November 6, 2001: \$1.50

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
AUGUST 31, 2019

The principal and interest payments due September 1 are usually paid on or before August 31. The following schedule shows the amounts due assuming that this practice will be followed in the future.

<u>Due During Fiscal Years Ending August 31</u>	<u>Series 2006</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 150,000	\$ 12,000	\$ 162,000
2021	<u>150,000</u>	<u>6,000</u>	<u>156,000</u>
TOTALS	<u>\$ 300,000</u>	<u>\$ 18,000</u>	<u>\$ 318,000</u>

<u>Due During Fiscal Years Ending August 31</u>	<u>Series 2012</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 790,000	\$ 41,250	\$ 831,250
2021	<u>585,000</u>	<u>17,550</u>	<u>602,550</u>
TOTALS	<u>\$ 1,375,000</u>	<u>\$ 58,800</u>	<u>\$ 1,433,800</u>

<u>Due During Fiscal Years Ending August 31</u>	<u>Series 2013</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 10,000	\$ 5,400	\$ 15,400
2021	<u>230,000</u>	<u>5,175</u>	<u>235,175</u>
TOTALS	<u>\$ 240,000</u>	<u>\$ 10,575</u>	<u>\$ 250,575</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276

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

AUGUST 31, 2019

The principal and interest payments due September 1 are usually paid on or before August 31. The following schedule shows the amounts due assuming that this practice will be followed in the future.

<u>Due During Fiscal Years Ending August 31</u>	<u>Series 2013A</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 325,000	\$ 161,844	\$ 486,844
2021	325,000	154,125	479,125
2022	325,000	146,406	471,406
2023	325,000	136,656	461,656
2024	325,000	126,906	451,906
2025	325,000	117,156	442,156
2026	325,000	107,406	432,406
2027	325,000	97,656	422,656
2028	325,000	87,906	412,906
2029	325,000	77,750	402,750
2030	325,000	67,594	392,594
2031	325,000	57,031	382,031
2032	325,000	46,469	371,469
2033	300,000	35,500	335,500
2034	250,000	25,375	275,375
2035	250,000	16,625	266,625
2036	225,000	7,875	232,875
TOTALS	<u>\$ 5,250,000</u>	<u>\$ 1,470,280</u>	<u>\$ 6,720,280</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276

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

AUGUST 31, 2019

The principal and interest payments due September 1 are usually paid on or before August 31. The following schedule shows the amounts due assuming that this practice will be followed in the future.

Due During Fiscal Years Ending August 31	Series 2019		
	Principal Due September 1	Interest Due March 1, September 1	Total
2020	\$ 15,000	\$ 116,664	\$ 131,664
2021	15,000	111,250	126,250
2022	830,000	110,800	940,800
2023	845,000	85,900	930,900
2024	850,000	60,550	910,550
2025	855,000	35,050	890,050
2026	240,000	9,400	249,400
2027	230,000	4,600	234,600
TOTALS	\$ 3,880,000	\$ 534,214	\$ 4,414,214

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276

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

AUGUST 31, 2019

The principal and interest payments due September 1 are usually paid on or before August 31. The following schedule shows the amounts due assuming that this practice will be followed in the future.

<u>Due During Fiscal Years Ending August 31</u>	<u>Annual Requirements for All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2020	\$ 1,290,000	\$ 337,158	\$ 1,627,158
2021	1,305,000	294,100	1,599,100
2022	1,155,000	257,206	1,412,206
2023	1,170,000	222,556	1,392,556
2024	1,175,000	187,456	1,362,456
2025	1,180,000	152,206	1,332,206
2026	565,000	116,806	681,806
2027	555,000	102,256	657,256
2028	325,000	87,906	412,906
2029	325,000	77,750	402,750
2030	325,000	67,594	392,594
2031	325,000	57,031	382,031
2032	325,000	46,469	371,469
2033	300,000	35,500	335,500
2034	250,000	25,375	275,375
2035	250,000	16,625	266,625
2036	225,000	7,875	232,875
TOTALS	<u>\$ 11,045,000</u>	<u>\$ 2,091,869</u>	<u>\$ 13,136,869</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED AUGUST 31, 2019

	<u>(1)</u>	<u>(2)</u>
Bond Series:	2006	2012
Interest Rate:	4.00%	3.00%
Dates Interest Payable:	March 1/ September 1	March 1/ September 1
Maturity Dates:	September 1, 2020/2021	September 1, 2020/2021
Bonds Outstanding at Beginning of Current Year	\$ 450,000	\$ 5,460,000
Less Retirements	<u>(150,000)</u>	<u>(4,085,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 300,000</u>	<u>\$ 1,375,000</u>
Current Year Interest Paid	<u>\$ 17,625</u>	<u>\$ 130,750</u>

Bond Descriptions and Original Amount of Issue

- (1) Harris County Municipal Utility District No. 276 Unlimited Tax Bonds, Series 2006 (\$3,130,000)
- (2) Harris County Municipal Utility District No. 276 Unlimited Tax Refunding Bonds, Series 2012 (\$8,255,000)

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:	\$ 44,000,000	\$ 0	44,000,000
Amount Issued:	26,335,000		913,803
Remaining to be Issued:	17,665,000		43,086,197

Net Debt Service Fund deposits and investments balances as of August 31, 2019: \$ 938,463
 Average annual debt service payment for remaining term of all debt: 772,757

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)

FOR THE YEAR ENDED AUGUST 31, 2019

	<u>(3)</u>	<u>(4)</u>	<u>(5)</u>	<u>Totals</u>
Bond Series:	2013	2013A	2019	
Interest Rate:	2.25%	2.375% to 3.50%	2.00% to 3.00%	
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	March 1/ September 1	
Maturity Dates:	September 1, 2020/2021	September 1, 2020/2036	September 1, 2020/2027	
Bonds Outstanding at Beginning of Current Year	\$ 1,570,000	\$ 5,575,000		\$ 13,055,000
Add Bonds Sold			3,880,000	3,880,000
Less Retirements	<u>(1,330,000)</u>	<u>(325,000)</u>	<u>0</u>	<u>(5,890,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 240,000</u>	<u>\$ 5,250,000</u>	<u>\$ 3,880,000</u>	<u>\$ 11,045,000</u>
Current Year Interest Paid	<u>\$ 28,725</u>	<u>\$ 168,344</u>	<u>\$ 0</u>	<u>\$ 345,444</u>

Bond Descriptions and Original Amount of Issue

- (3) Harris County Municipal Utility District No. 276 Unlimited Tax Refunding Bonds, Series 2013 (\$1,850,000)
- (4) Harris County Municipal Utility District No. 276 Unlimited Tax Bonds, Series 2013A (\$7,200,000)
- (5) Harris County Municipal Utility District No. 276 Unlimited Tax Refunding Bonds, Series 2019 (\$3,880,000)

Paying Agent/Registrar

- (3) (4) (5) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED AUGUST 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
REVENUES										
Property taxes	\$ 505,319	\$ 380,895	\$ 500,125	\$ 335,313	\$ 301,948	20.5 %	16.4 %	21.0 %	15.1 %	14.1 %
Water service	495,455	513,269	513,567	499,181	496,725	20.1	22.1	21.6	22.5	23.2
Sewer service	533,278	543,443	540,208	568,522	517,638	21.5	23.3	22.8	25.6	24.3
Surface water fees	513,418	530,638	489,468	458,600	393,360	20.8	22.9	20.6	20.7	18.4
Penalty	52,173	50,905	57,847	67,948	73,068	2.1	2.2	2.4	3.1	3.4
Tap connection and inspection fees	0	0	20,255	43,234	92,760	0.0	0.0	0.9	1.9	4.3
Sales and Use Taxes	258,698	247,199	223,639	216,143	238,710	10.5	10.7	9.4	9.7	11.2
Interest on deposits and investments	85,436	35,976	14,199	10,749	8,714	3.5	1.6	0.6	0.5	0.4
Other revenues	23,871	17,879	16,906	19,056	14,378	1.0	0.8	0.7	0.9	0.7
TOTAL REVENUES	2,467,648	2,320,204	2,376,214	2,218,746	2,137,301	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Purchased services	746,868	825,481	738,960	675,059	627,973	30.2	35.6	31.1	30.4	29.4
Professional fees	132,494	117,154	163,565	176,935	220,583	5.4	5.0	6.9	8.0	10.3
Contracted services	112,346	109,907	110,271	108,185	107,635	4.6	4.7	4.6	4.9	5.0
Utilities	48,405	53,354	62,157	89,663	93,108	2.0	2.3	2.6	4.0	4.4
Repairs and maintenance	266,428	245,184	219,013	230,084	231,227	10.7	10.6	9.2	10.4	10.8
Other operating expenditures	85,601	80,638	73,073	171,863	175,382	3.5	3.5	3.1	7.7	8.2
Garbage disposal	263,710	256,731	248,703	240,001	207,461	10.7	11.1	10.5	10.8	9.7
Administrative expenditures	51,924	61,976	56,146	52,357	50,196	2.1	2.7	2.4	2.4	2.3
Debt service principal and interest	0	0	0	897,600	0	0.0	0.0	0.0	40.5	0.0
Capital outlay	45,405	66,109	137,696	19,695	56,952	1.8	2.8	5.8	0.9	2.7
TOTAL EXPENDITURES	1,753,181	1,816,534	1,809,584	2,661,442	1,770,517	71.0	78.3	76.2	120.0	82.8
EXCESS REVENUES (EXPENDITURES)	\$ 714,467	\$ 503,670	\$ 566,630	\$ (442,696)	\$ 366,784	29.0 %	21.7 %	23.8 %	(20.0) %	17.2 %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,319	1,322	1,319	1,313	1,293					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,262	1,266	1,264	1,257	1,240					

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND
FOR YEARS ENDED AUGUST 31

	<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	\$ 1,594,060	\$ 1,718,589	\$ 1,926,734	\$ 1,946,038	\$ 1,844,660	96.0 %	97.7 %	98.0 %	99.1 %	98.9 %
Penalty and interest and other	22,901	14,804	25,034	10,955	17,446	1.4	0.8	1.3	0.6	0.9
Accrued interest on bonds received at date of sale	4,344	0	0	0	0	0.3	0.0	0.0	0.0	0.0
Interest on deposits and investments	<u>37,898</u>	<u>26,429</u>	<u>14,244</u>	<u>5,738</u>	<u>4,613</u>	<u>2.3</u>	<u>1.5</u>	<u>0.7</u>	<u>0.3</u>	<u>0.2</u>
TOTAL REVENUES	<u>1,659,203</u>	<u>1,759,822</u>	<u>1,966,012</u>	<u>1,962,731</u>	<u>1,866,719</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	6,240	2,460	5,297	3,187	5,867	0.4	0.1	0.3	0.2	0.3
Contracted services	40,131	41,326	41,802	37,639	36,172	2.4	2.3	2.1	1.9	1.9
Other expenditures	4,369	4,128	3,924	8,361	5,445	0.3	0.2	0.2	0.4	0.3
Debt service:										
Principal retirement	1,340,000	1,330,000	1,315,000	1,310,000	1,295,000	80.7	75.7	66.9	66.8	69.4
Interest and fees	<u>347,994</u>	<u>472,644</u>	<u>491,994</u>	<u>575,169</u>	<u>616,324</u>	<u>21.0</u>	<u>26.9</u>	<u>25.0</u>	<u>29.3</u>	<u>33.0</u>
TOTAL EXPENDITURES	<u>1,738,734</u>	<u>1,850,558</u>	<u>1,858,017</u>	<u>1,934,356</u>	<u>1,958,808</u>	<u>104.8</u>	<u>105.2</u>	<u>94.5</u>	<u>98.6</u>	<u>104.9</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ (79,531)</u>	<u>\$ (90,736)</u>	<u>\$ 107,995</u>	<u>\$ 28,375</u>	<u>\$ (92,089)</u>	<u>(4.8) %</u>	<u>(5.2) %</u>	<u>5.5 %</u>	<u>1.4 %</u>	<u>(4.9) %</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSAUGUST 31, 2019

Complete District Mailing Address: Harris County Municipal Utility District No. 276
c/o Schwartz, Page & Harding L.L.P.
1300 Post Oak Blvd., Suite 1400
Houston, Texas 77056

District Business Telephone No.: 713-623-4531

Submission date of the most recent District Registration Form: May 9, 2018

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>
Harris Masterson, IV c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056	Elected 5/05/18- 5/07/22	\$ 1,350	\$ 0	President
C. Thomson Wells c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056	Elected 5/05/18- 5/07/22	1,800	0	Vice President
Randall C. Tuller c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056	Elected 5/07/16- 5/02/20	1,350	0	Secretary
Robert C. Householder c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056	Elected 5/05/18- 5/07/22	1,050	0	Assistant Secretary
Carl Stephens c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056	Elected 5/07/16- 5/02/20	1,650	0	Director

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

AUGUST 31, 2019

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Schwartz, Page & Harding L.L.P. 1300 Post Oak Blvd., Suite 1400 Houston, Texas 77056	1984	\$ 93,151 32,036 Bonds	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 N. Loop West, Suite 600 Houston, Texas 77008	2007	6,240	Delinquent Tax Attorney
Municipal Accounts & Consulting, L.P. 1281 Brittmoore Road Houston, Texas 77043	1984	44,338 1,250 Bonds	Bookkeeper
Mark Burton/Ghia Lewis 1281 Brittmoore Road Houston, Texas 77043	Prior to 2013	0	Investment Officers
Inframark, LLC 2002 West Grand Parkway N., Suite 100 Katy, Texas 77449	1987	462,355	Operator
IDS Engineering Group 13430 Northwest Freeway, Suite 700 Houston, Texas 77040	1984	74,604	Engineer
B & A Municipal Tax Service, LLC 13333 Northwest Freeway, Suite 505 Houston, Texas 77040	2012	29,370 600 Bonds	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	15,515	Central Appraisal District
Masterson Advisors, LLC 3 Greenway Plaza, Suite 1100 Houston, Texas 77046	5/09/18	41,996 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	9/10/14	12,125 750 Bonds	Independent Auditor

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN