

OFFICIAL STATEMENT DATED AUGUST 27, 2020

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Special Tax Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Special Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

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

NEW ISSUE
BOOK-ENTRY ONLY
CUSIP Base No. 575203

RATINGS: (S&P-AGM) "AA" (stable outlook)
(See "BOND INSURANCE" herein)
(S&P-underlying) "A+"

**MASON CREEK UTILITY DISTRICT
OF HARRIS COUNTY, TEXAS**

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

\$1,485,000

UNLIMITED TAX REFUNDING BONDS, SERIES 2020

Bonds Dated: October 1, 2020

Due: August 1, as shown on inside cover

The \$1,485,000 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds") are obligations solely of Mason Creek Utility District of Harris County, Texas (the "District") and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any other political subdivision or agency. See "THE BONDS--Source of and Security for Payment."

Interest on the Bonds scheduled to mature August 1, 2021 and August 1, 2023 through 2031 (collectively, the "Current Interest Bonds") accrues from October 1, 2020 (the "Dated Date"), and will be payable February 1 and August 1 of each year, commencing February 1, 2021, and will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds scheduled to mature August 1, 2022 (the "Premium Compound Interest Bond") will accrue from the date of delivery of the Bonds (the "Date of Delivery"), will be compounded on February 1 and August 1 of each year, commencing February 1, 2021, and will be payable only upon maturity. See "APPENDIX B--Schedule of Accreted Values for Premium Compound Interest Bonds." The Current Interest Bonds are issuable in the denominations of \$5,000 of principal amount or integral multiples thereof and the Premium Compound Interest Bonds are issuable in denominations of \$5,000 of the total amount of principal, plus initial premium, if any, and accreted interest payable upon maturity (the "Maturity Amount") or any integral multiple thereof. The Bonds are issuable only in fully registered form in denominations of principal or Maturity Amount, as applicable of \$5,000 or integral multiples thereof initially registered solely in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds, until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, the Bonds shall be payable to Cede & Co., which will in turn, remit such amount to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS--Book-Entry-Only System."

Principal of, interest on and the redemption price for the Bonds are payable by UMB Bank N.A., Houston, Texas or any successor paying agent/registrant (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check mailed on or before the interest payment date to registered owners (the "Registered Owners") shown on the records of the Paying Agent/Registrar on the fifteenth (15th) day of the month preceding each interest payment date or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owner at the risk and expense of the Registered Owner. See "THE BONDS--Description."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.



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

The Bonds will be delivered when, as, and if issued by the District and accepted by the initial purchaser of the Bonds (the "Underwriter"), subject, amongst other things, to the approval of the Initial Bonds by the Attorney General of the State of Texas and by the approval of certain legal matters by Michael A. Cole, P. C., Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Special Tax Counsel. Certain matters will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Underwriter's Counsel. Delivery of the Bonds is expected on October 6, 2020.

SAMCO Capital

MATURITY SCHEDULE

Bonds Dated: October 1, 2020

Due: August 1, as shown below

Current Interest Bonds

<u>Maturity Aug 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Initial Yield(a)</u>	<u>CUSIP (b)</u>	<u>Maturity Aug 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Initial Yield(a)</u>	<u>CUSIP (b)</u>
2021	\$125,000	3.000%	0.490%	575203GW8	2027(c)	\$145,000	2.000%	1.290%	575203HC1
****	****	****	****	****	2028(c)	150,000	2.000%	1.420%	575203IHD9
2023	125,000	3.000%	0.720%	575203GY4	2029(c)	150,000	2.000%	1.510%	575203HE7
2024	125,000	3.000%	0.890%	575203GZ1	2030(c)	155,000	2.000%	1.650%	575203HF4
2025	130,000	3.000%	1.040%	575203HA5	2031(c)	160,000	2.000%	1.730%	575203HG2
2026	140,000	3.000%	1.110%	575203HB3					

(Interest to accrue from the Dated Date)

Premium Compound Interest Bonds

<u>Maturity Aug 1</u>	<u>Principal Amount</u>	<u>Offering Price Per \$5,000 Maturity</u>	<u>Offering Yield(a)</u>	<u>CUSIP (b)</u>	<u>Total Payment At Maturity</u>
2022(d)	\$80,000.00	\$4,924.30	0.840%	575203GX6	\$125,000

(Interest to accrete from the Date of Delivery)

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

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

((c) Current Interest Bonds maturing on or after August 1, 2027, are subject to redemption prior to maturity at the option of the District, as a whole or, from time to time, in part, on August 1, 2026, or on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Optional Redemption."

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

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

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Michael A. Cole, P.C., 5120 Bayard Lane, Houston, Texas 77006 upon payment of duplication costs.

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

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

SALE AND DISTRIBUTION OF THE BONDS

Prices and Marketability

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

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

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

Securities Laws

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

Underwriter

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the "Underwriter") pursuant to a bond purchase agreement with the District (the "Bond Purchase Agreement") at a price of \$1,580,989.57 (being the par amount of the Bonds, plus a net premium on the Current Interest Bonds of \$67,242.85 and a premium on the Premium Compound Interest Bonds of \$43,107.50, less an underwriter's discount of \$14,360.78,) plus accrued interest on the Bonds to the date of delivery. The obligation of the Underwriter to purchase the Bonds is subject to certain conditions contained in the Bond Purchase Agreement.

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

Municipal Bond Rating

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

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

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

SUMMARY

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

- The District -

Description Mason Creek Utility District of Harris County, Texas (the "District") was created by House Bill No. 1702, Acts of the 62nd Legislature of Texas, Regular Session, 1971 (compiled as Vernon's Texas Civil Statutes Article 8280-551 and codified as Chapter 8286, Texas Special District Local Laws Code [eff. 4-1-2011], and herein referred to as the "Act") pursuant to the provision of Section 59 of Article XVI of the Texas Constitution. The District, which contains approximately 893.838 acres, lies entirely within Harris County and within the exclusive extraterritorial jurisdiction of the City of Houston (although some commercial areas have been annexed by the City of Houston for limited purposes, including the imposition of sales and use tax). It is located in Western Harris County approximately 22 miles west of the Houston Central Business District. The District is roughly bounded on the north by IH-10, on the east by Fry Road, on the south by Nottingham Country MUD, and on the west by Westgreen Boulevard. See "THE DISTRICT--Description and Location."

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

- The Bonds -

Description The \$1,485,000 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds") are dated October 1, 2020 and mature on August 1 of each of the years 2021 through 2031, both inclusive, in the principal amounts and bearing interest at the rates set forth on the inside cover hereof. The Bonds are being issued in part as Current Interest Bonds and in part as Premium Compound Interest Bonds, as shown on the inside cover page of this Official Statement. The Current Interest Bonds maturing on and after August 1, 2027, are subject to redemption, in whole or in part, at the option of the District at par plus any unpaid accrued interest on any date on or after August 1, 2026. Premium Compound Interest Bonds are not subject to redemption prior to maturity. See "THE BONDS--Description" and "--Optional Redemption."

Source of Payment Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District.

The Bonds are obligations of the District and are not obligations of Harris County, Texas; the City of Houston, Texas; the State of Texas; or any political subdivision other than the District. See "THE BONDS--Source of and Security for Payment."

Use of Proceeds Proceeds of the Bonds will be used to refund \$1,485,000 of the Unlimited Tax Bonds, Series 2011, and to pay the costs of issuance of the Bonds. See "THE BONDS — Use of Proceeds."

Payment Record The District has never defaulted on the payment of any bond obligation. See "DISTRICT DEBT."

Qualified Tax-Exempt Obligations	The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and represents that the total amount of tax-exempt bonds (including the Bonds) issued by it during the calendar year 2020 is not reasonably expected to exceed \$10,000,000. See "TAX EXEMPTION--Qualified Tax Exempt Obligations."
Book-Entry Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company pursuant to the Book-Entry Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. and Cede & Co. will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "THE BONDS--Book-Entry Only System").
Municipal Bond Rating	The District made application to S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), which has assigned a rating of "A+" to the Bonds. See "SALE AND DISTRIBUTION OF THE BONDS--Municipal Bond Rating."
Municipal Bond Rating and Municipal Bond Insurance	S&P is expected to assign a municipal bond rating of "AA" (stable outlook), as a result of a municipal bond insurance policy issued by Assured Guaranty Municipal Corp. See "SALE AND DISTRIBUTION OF THE BONDS--Municipal Bond Rating," "BOND INSURANCE" and "APPENDIX C--Specimen Municipal Bond Insurance Policy."
Legal Opinions	Michael A. Cole, P. C., Houston, Texas. See "LEGAL MATTERS."
Underwriter's and Special Tax Counsel	Orrick, Herrington & Sutcliffe, LLP, Houston, Texas.
Financial Advisor	Blitch Associates, Inc., Houston, Texas.
Storm Risk	<p>The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e., "500-year flood" events) since 2015, including Hurricane Harvey in 2017 and Tropical Storm Imelda in 2019. According to the District, as a result of Hurricane Harvey, there were approximately ten homes flooded but no interruption of water or wastewater service.</p> <p>See "TAX PROCEDURES--Reappraisal of Property after Disaster" and "--Tax Payment Installments after Disaster;" "RISK FACTORS--Hurricane Harvey," "--Recent Extreme Weather Events; Hurricane Harvey," and "--Specific Flood Type Risks;" and "THE SYSTEM--100 Year Flood Plain."</p>

RISK FACTORS

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

**- Financial Highlights -
(Unaudited)**

2019 Taxable Assessed Valuation (100% of Market Value)	\$645,180,192	(a)
Direct Debt		
Outstanding Bonds (As of August 1, 2020)	\$4,060,000	
Less: The Refunded Bonds	(1,485,000)	
The Bonds	<u>1,485,000</u>	
Total Direct Debt	\$4,060,000	
Estimated Overlapping Debt	<u>32,970,247</u>	(b)
Direct and Estimated Overlapping Debt	<u>\$37,030,247</u>	
Direct Debt Ratios:		
Direct Debt to Value	0.63%	
Direct & Estimated Overlapping Debt to Value	5.74%	
2019 Tax Rate per \$100 of Assessed Value		
Debt Service	\$0.044	
Maintenance	<u>0.307</u>	
Total	<u>\$0.351</u>	
	<u>Current</u>	<u>Total</u>
2018 Tax Collection Percentage	99.08%	99.67%
Five-Year Average (2014/2018) Collection Percentage	99.26%	99.87%
Average Annual Debt Service Requirements (2021/39)		\$265,014
Maximum Annual Debt Service Requirements (2039)		\$281,050
Tax Rate Required to pay such Requirements at 98% Collection		
Average (2020/2039)		\$0.042
Maximum (2039)		\$0.045
Fund Balances as of August 12, 2020 (Cash & Investments)		
General Fund		\$7,831,169
Tax Fund		\$61,687
Debt Service Fund		\$353,194
Capital Projects Fund		\$2,227,322

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

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

**MASON CREEK UTILITY DISTRICT
OF HARRIS COUNTY, TEXAS
\$1,485,000
UNLIMITED TAX REFUNDING BONDS, SERIES 2020**

This Official Statement of Mason Creek Utility District of Harris County, Texas (the "District") is provided to furnish certain information with respect to the sale by the District of its \$1,485,000 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds").

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

This Official Statement includes descriptions of the Bonds, the Bond Order and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document, copies of which may be obtained by contacting the District, c/o Michael A. Cole, P.C., 5120 Bayard Lane, Houston, Texas 77006.

THE BONDS

Description

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

The Bonds will bear interest at the per annum rates and are scheduled to mature on August 1 in the years and in the principal amounts and Maturity Amounts (hereinafter defined), as appropriate, shown on the inside cover page hereof. Interest on the Bonds scheduled to mature August 1 of the year 2021 and August 1 of the years 2023 through 2031 (collectively, the "Current Interest Bonds") will be computed on the basis of a 360-day year of twelve 30-day months and will accrue from September 1, 2020, and be payable on February 1, 2021 and each August 1 and February 1 thereafter until the earlier of maturity or redemption. Interest on the Bonds scheduled to mature August 1, 2022 (the "Premium Compound Interest Bonds") will accrete from the date of delivery of the Bonds, will be computed on the basis of a 360 day year of twelve 30-day months, will be compounded February 1 and August 1 of each year, commencing February 1, 2021, and will be payable only upon maturity. See "APPENDIX B--Schedule of Accreted Values for Premium Compound Interest Bonds." The Current Interest Bonds are issuable in denominations of \$5,000 of principal amount or integral multiples thereof and the Premium Compound Interest Bonds in denominations of \$5,000 of the total amount of principal, plus initial premium, if any, and accreted interest payable upon maturity (the "Maturity Amount") or any integral multiple thereof. Interest on Current Interest Bonds will be payable to the Registered Owners as of the fifteenth day of the next preceding month prior to each interest payment date (the "Record Date") by check or draft mailed to their addresses shown on the bond register kept by the Paying Agent/Registrar (hereinafter defined) or in accordance with other customary arrangements acceptable to the Paying Agent/Registrar and owner.

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

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

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

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

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

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

Use of Proceeds

Proceeds of the Bonds will be used to currently refund the outstanding callable portions of the District’s Unlimited Tax Bonds, Series 2011 (the “Refunded Bonds”) and to pay the costs of issuance of the Bonds. The Refunded Bonds consist of the following:

<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	
2021	\$110,000	3.000%	(a)
2022	115,000	3.300%	(b)
2023	120,000	3.300%	(b)
2024	120,000	3.600%	(c)
2025	125,000	3.600%	(c)
2026	135,000	3.875%	(d)
2027	140,000	3.588%	(d)
2028	145,000	4.125%	(e)
2029	150,000	4.125%	(e)
2030	160,000	4.300%	(f)
2031	<u>165,000</u>	4.300%	(f)
Totals	<u>\$1,485,000</u>		

Call Date October 6, 2020

- (a) Represents sinking fund redemption payment for term bond maturing on August 1, 2021.
- (b) Represents sinking fund redemption payment for term bond maturing on August 1, 2023.
- (c) Represents sinking fund redemption payment for term bond maturing on August 1, 2025.
- (d) Represents sinking fund redemption payment for term bond maturing on August 1, 2027.
- (e) Represents sinking fund redemption payment for term bond maturing on August 1, 2029.
- (f) Represents sinking fund redemption payment for term bond maturing on August 1, 2031.

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

Sources:

Par Amount	\$1,485,000.00
Reoffering Premium	110,350.35
Accrued Interest on Current Interest Bonds	<u>479.86</u>
Total Sources	<u>\$1,595,830.21</u>

Uses:

Cash Deposit for Refunding	\$1,495,232.99
Underwriter's Discount	14,360.78
Insurance Premium	4,688.39
Costs of Issuance	81,068.19
Deposit to the Debt Service Fund	<u>479.86</u>
Total Uses	<u>\$1,595,830.21</u>

Refunded Bonds

In the Bond Order, the District will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Bonds from money held by the paying agent for the Refunded Bonds, Wells Fargo Bank, N.A. (the "Paying Agent for the Refunded Bonds").

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

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

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

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

Book-Entry-Only System

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

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

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's

records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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 thereof.

Registration and Transfer

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

Optional Redemption

The District reserves the right, at its option, to redeem the Current Interest Bonds maturing on and after August 1, 2027, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof on August 1, 2026, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. If fewer than all of the Current Interest Bonds are to be optionally redeemed, the particular maturities and amounts of Current Interest Bonds to be redeemed shall be selected by the District. If fewer than all of the Current Interest Bonds of a certain maturity are to be redeemed, the Paying Agent/Registrar shall select by lot those Current Interest Bonds to be redeemed (or such Current Interest Bonds shall be selected by DTC in accordance with its procedures while the Current Interest Bonds are in book-entry-only form).

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

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

Ownership

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

Source of and Security for Payment

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

Replacement of Paying Agent/Registrar

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

Authority for Issuance

At elections held within the District on June 17, 1972, December 30, 1974, April 3, 1976 and December 4, 1993, the voters of the District authorized the issuance of an aggregate of \$21,999,000 in bonds for water, sanitary sewer and drainage facilities. An aggregate of \$129,000 in combination unlimited tax and revenue bonds remains authorized but unissued. See "Issuance of Additional Debt" below.

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas and the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; Chapter 1207 of the Texas Government Code, as amended; and City of Houston Ordinance No. 97-416.

Outstanding Debt

The District has previously issued and has outstanding its \$2,350,000 Unlimited Tax Bonds, Series 2011 (the "Series 2011 Bonds") and \$2,650,000 Unlimited Tax Bonds, Series 2020 (the "Series 2020 Bonds").

As of August 1, 2020, \$1,485,000 of the Series 2011 Bonds and \$2,575,000 of the Series 2020 Bonds remain outstanding (collectively, the "Outstanding Bonds"). All other previously issued bonds of the District have been retired. The District has timely made all payments due on the Outstanding Bonds.

Issuance of Additional Debt

The District may issue additional bonds to provide those improvements for which the District was created. Following the issuance of the Bonds, \$129,000 voter authorized bonds remain unissued.

The District's Engineer has proposed a capital improvements program over the next fifteen years addressing recoating the elevated and two ground storage tanks, the potential replacement of a water well, and annual water main and sanitary sewer line rehabilitation. Such improvements could be up to \$8 million.

According to the District's Engineer, although the District's water, sanitary sewer and drainage facilities have been extended to serve the entirety of the District, the remaining authorized bonds will not be sufficient to replace and renovate the utility system within the District and the District's share of shared and regional facilities for the next ten to fifteen years; consequently, additional bonds may have to be authorized by District voters. Depending upon increases in assessed valuation of taxable property within the District and the amount, maturity schedule and time of issuance of such additional bonds, increases in the District's annual tax rate may be required to provide for the payment of the principal of and interest on such additional bonds and the Bonds. Additional tax bonds and/or tax and revenue bonds may be voted in the future. The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the waterworks and sewer system therefor and to issue bond anticipation notes and tax anticipation notes.

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

The District has no plans to sell additional bonds within the next twelve months.

Defeasance

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

Mutilated, Lost, Stolen or Destroyed Bonds

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

Annexation and Consolidation

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

The District has the right to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and sewer system with the water and sewer systems of the district or districts with which it is consolidating. Should any such consolidation occur, the net revenues from the operation of the consolidated system would be applied to the payment of principal, interest, redemption price and bank charges on the combination unlimited tax and revenue bonds of the District, if any, and of the district or districts with which the District is consolidated without prejudice to any series of bonds, except that bonds with subordinate liens on net revenues shall continue to be subordinate. No representations are made that the District will ever consolidate its utility system with other systems.

Amendments to the Bond Order

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

Registered Owners' Remedies and Effects of Bankruptcy

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

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

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

Bankruptcy Limitation to Registered Owners' Rights

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

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a registered owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such registered owner's claim against the District.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

deposits of public funds of the State of Texas or any political subdivision or public agency of the State of Texas and are lawful and sufficient security for those deposits to the extent of their market value.

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

BOND INSURANCE

Bond Insurance Policy

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

On July 16, 2020, S&P announced that it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further rating actions that S&P may take.

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

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

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

Capitalization of AGM

At June 30, 2020:

- The policyholders surplus of AGM was approximately \$2,667 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,018 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves of AGM and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,048 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc ("AGE UK") and Assured Guaranty (Europe) SA ("AGE SA"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 (filed by AGL with the SEC on August 7, 2020).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except

for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

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

Miscellaneous Matters

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

THE DISTRICT

Description

The District is a municipal utility district, created by House Bill No. 1702, Acts of the 62nd Legislature of Texas, Regular Session, 1971 (compiled as Vernon’s Texas Civil Statutes Article 8280-551 and codified as Chapter 8286, Texas Special District Local Laws Code, and herein referred to as the “Act”) pursuant to the provision of Section 59 of Article XVI of the Texas Constitution. The District, which contains approximately 893.838 acres, lies entirely within Harris County and within the exclusive extraterritorial jurisdiction of the City of Houston (although some commercial areas have been annexed by the City of Houston for limited purposes, including the imposition of sales and use tax. See “TAX DATA-- Strategic Partnership Agreement – Limited Purpose Annexation by City of Houston”). The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District. The District is subject to the continuing supervision of the TCEQ.

Management of the District

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

<u><i>Director</i></u>	<u><i>Officer</i></u>	<u><i>Term Expires</i></u>
Len Forsyth	President	May 2022
James G. Hamblet, III	Vice-President	May 2024
Brian C. Connolly	Secretary/Treasurer	May 2024
John H. Cameron	Assistant Secretary/Treasurer	May 2024
Robert J. Wills	Director	May 2022

Development Within The District

The District is located in Western Harris County approximately 22 miles west of the Houston Central Business District. The District is roughly bounded on the north by IH-10, on the east by Fry Road, on the south by Nottingham Country MUD, and on the west by Westgreen Boulevard.

Development within the District consists of the residential subdivisions of Nottingham Country, Sections 1 through 9, and Mason Creek Park, Section 1, and includes significant commercial development. Except for a few small unimproved reserves remaining, the District is completely developed.

Consultants and Other Services

The District employs a staff of nine to manage the operation of the District. The District has contracted for legal, engineering, financial advisory, tax assessing and collecting services and annual auditing of its books as follows:

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

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

Auditor - The District's annual financial statements as of June 30, 2019 have been prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, Houston, Texas. See "APPENDIX A" for a copy of the District's June 30, 2019 audited financial statements.

Utility System Operator - The District's operator is James M. Parrott Utility Operations, Inc., Katy, Texas.

Engineer - The consulting engineer for the District is Venturi Engineers LLC, Spring, Texas (the "Engineer").

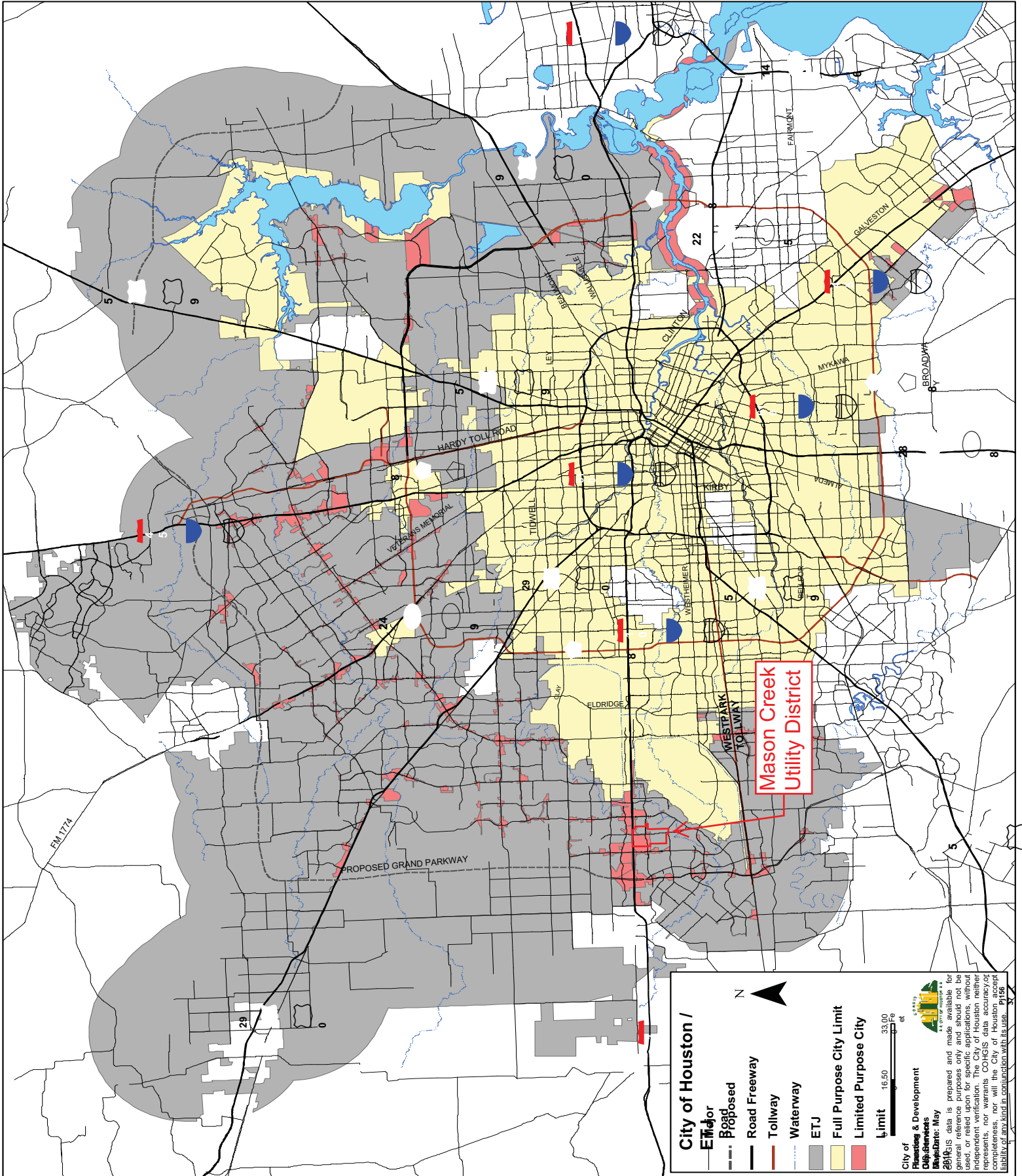
Financial Advisor - Blich Associates, Inc., Houston, Texas, serves as Financial Advisor to the District in connection with the sale of the Bonds, the fees for which are contingent on the sale of the Bonds.

Bond Counsel - Michael A Cole, P.C., Houston, Texas, serves as Bond Counsel in connection with the issuance of the Bonds, the fees for which are contingent on the sale of the Bonds.

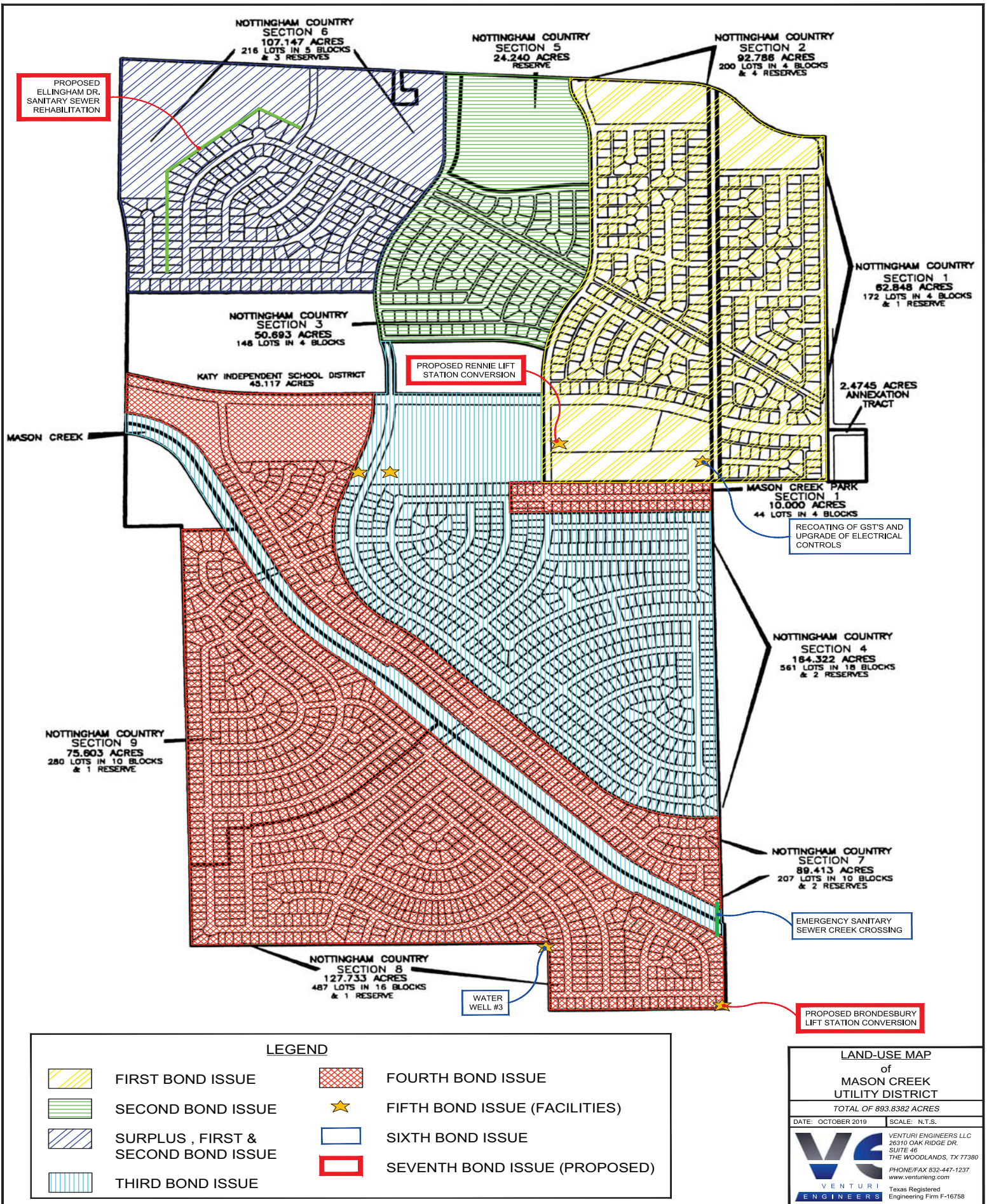
General Counsel - James L. Dougherty, Jr., Houston, Texas serves as general counsel to the District.

Underwriters' and Special Tax Counsel - Orrick, Herrington & Sutcliffe LLP., Houston, Texas.

Location Map



Land Use Map



PROPOSED ELLINGHAM DR. SANITARY SEWER REHABILITATION

PROPOSED RENNIE LIFT STATION CONVERSION

RECOATING OF GST'S AND UPGRADE OF ELECTRICAL CONTROLS

EMERGENCY SANITARY SEWER CREEK CROSSING

PROPOSED BRONDESBURY LIFT STATION CONVERSION

WATER WELL #3

LEGEND	
	FIRST BOND ISSUE
	SECOND BOND ISSUE
	SURPLUS, FIRST & SECOND BOND ISSUE
	THIRD BOND ISSUE
	FOURTH BOND ISSUE
	FIFTH BOND ISSUE (FACILITIES)
	SIXTH BOND ISSUE
	SEVENTH BOND ISSUE (PROPOSED)

LAND-USE MAP
of
MASON CREEK UTILITY DISTRICT

TOTAL OF 893.8382 ACRES

DATE: OCTOBER 2019	SCALE: N.T.S.
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VENTURI ENGINEERS LLC
26310 OAK RIDGE DR.
SUITE 46
THE WOODLANDS, TX 77380
PHONE/FAX 832-447-1237
www.venturimg.com

Texas Registered Engineering Firm F-16758

Photographs Taken in the District (January 2020)









**DISTRICT DEBT
(Unaudited)**

Debt Statement

2019 Taxable Assessed Valuation (100% of Market Value)	\$645,180,192	(a)
Direct Debt		
Outstanding Bonds (As of August 1, 2020)	\$4,060,000	
Less: The Refunded Bonds	(1,485,000)	
The Bonds	<u>1,485,000</u>	
Total Direct Debt	\$4,060,000	
Estimated Overlapping Debt	<u>32,970,247</u>	(b)
Direct and Estimated Overlapping Debt	<u>\$37,030,247</u>	
Direct Debt Ratios:		
Direct Debt to Value	0.63%	
Direct & Estimated Overlapping Debt to Value	5.74%	
Average Annual Debt Service Requirements (2021/39)	\$265,014	
Maximum Annual Debt Service Requirements (2039)	\$281,050	
Fund Balances as of August 12, 2020 (Cash & Investments)		
General Fund	\$7,831,169	
Tax Fund	\$61,687	
Debt Service Fund	\$353,194	
Capital Projects Fund	\$2,227,322	

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

(b) See "Estimated Overlapping Debt."

Estimated Overlapping Debt

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

<u>Jurisdiction-</u>	<u>Debt As Of August 1, 2020</u>	<u>Overlapping Percent</u>	<u>Overlapping Amount</u>
Harris County (a)(b)	\$2,105,487,125	0.133%	\$2,800,298
Harris County Department of Education	6,320,000	0.133%	8,406
Harris County Flood Control District	83,075,000	0.133%	110,490
Harris County Hospital District	86,050,000	0.133%	114,447
Katy Independent School District	1,893,256,959	1.541%	29,175,090
Port of Houston Authority	572,569,397	0.133%	<u>761,517</u>
Estimated Overlapping Debt			\$32,970,247
The District (Includes the Bonds and Excludes the Refunded Bonds)			<u>4,060,000</u>
Total Direct & Estimated Overlapping Debt			<u>\$37,030,247</u>

(a) Includes \$220,305,000 Toll Road Bonds assumed to be self-supporting.

(b) Includes \$406,485,000 Flood Control District Contract Bonds, paid from Harris County ad valorem taxes.

Final Debt Service Schedule

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

<i>Year</i>	<i><u>Outstanding Debt Service</u></i>	<i><u>Refunded Debt Service</u></i>	<i><u>The Bonds Principal</u></i>	<i><u>The Bonds Interest</u></i>	<i><u>The Bonds Total D/S</u></i>	<i><u>Grand Total Debt Service</u></i>
2021	\$269,775	(\$166,675)	\$125,000	\$28,792	\$153,792	\$256,892
2022	270,475	(168,375)	125,000	30,800	155,800	257,900
2023	270,680	(169,580)	125,000	30,800	155,800	256,900
2024	270,720	(165,620)	125,000	27,050	152,050	257,150
2025	270,300	(166,300)	130,000	23,300	153,300	257,300
2026	269,700	(171,800)	140,000	19,400	159,400	257,300
2027	268,469	(171,569)	145,000	15,200	160,200	257,100
2028	272,044	(171,144)	150,000	12,300	162,300	263,200
2029	269,963	(170,163)	150,000	9,300	159,300	259,100
2030	267,675	(173,975)	155,000	6,300	161,300	255,000
2031	269,795	(172,095)	160,000	3,200	163,200	260,900
2032	271,600					271,600
2033	272,000					272,000
2034	272,300					272,300
2035	272,500					272,500
2036	272,600					272,600
2037	277,600					277,600
2038	276,880					276,880
2039	<u>281,050</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>281,050</u>
	<u>\$5,166,125</u>	<u>(\$1,867,295)</u>	<u>\$1,530,000</u>	<u>\$206,442</u>	<u>\$1,736,442</u>	<u>\$5,035,272</u>

Average Annual Debt Service (2021/2039) \$ 265,014
 Maximum Annual Debt Service (2039) \$ 281,050

Historical Operations of the Debt Service Fund

The following statement sets forth in condensed form the historical operations of the District's Debt Service Fund. Such information has been prepared based upon information obtained from the District's audited financial statements and other information provided by the District. Reference is made to such statements for further and complete information.

	<i><u>Fiscal Years Ended June 30,</u></i>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues					
Property Tax	\$164,858	\$166,502	\$184,474	\$172,036	\$168,147
Penalty & Interest	15,439	14,866	8,008	13,258	10,459
Investment & Other Income	<u>1,783</u>	<u>1,442</u>	<u>421</u>	<u>43,964</u>	<u>718</u>
Total Revenues	\$182,080	\$182,810	\$192,903	\$229,258	\$179,324
Expenditures					
Principal	\$100,000	\$100,000	\$95,000	\$95,000	\$90,000
Interest & Fees	66,025	70,025	73,925	77,725	81,425
Contracted & Other Expenses	<u>61,157</u>	<u>50,661</u>	<u>55,932</u>	<u>53,323</u>	<u>56,707</u>
Total Expenditures	<u>\$227,182</u>	<u>\$230,686</u>	<u>\$224,857</u>	<u>\$226,048</u>	<u>\$228,132</u>
Net Revenues (Expenditures)	(\$45,102)	(\$47,876)	(\$31,954)	\$3,210	(\$48,808)
Fund Balance (July 1)	(48,856)	(980)	30,974	27,764	76,572
Transfers In (Out)	<u>506,324</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance (June 30)	<u>\$412,366</u>	<u>(\$48,856)</u>	<u>(\$980)</u>	<u>\$30,974</u>	<u>\$27,764</u>
Cash & Investments (June 30)	<u>\$429,217</u>	<u>\$314,871</u>	<u>\$253,777</u>	<u>\$248,660</u>	<u>\$298,142</u>

TAX PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal Districts

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. The District currently grants a \$50,000 exemption to residential homesteads of persons 65 years or older and a \$150,000 exemption to residential homesteads of certain disabled persons.

Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad

valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by before July 1. See "TAX DATA." The District currently grants a 20% residential homestead exemption.

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

Tax Abatement

Harris County, Texas, may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. As of September 1, 1999, each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, Harris County, Texas, has not designated any part of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail

themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

The greater Houston area has experience multiple extreme severe weather events, including tropical storms and hurricanes in the past several years some of which have resulted in a disaster declaration by the Governor of the State of Texas. See "RISK FACTORS – Recent Extreme Weather Events." When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are prorated for the year the disaster occurred. The taxing units assess taxes prior to the date the disaster occurred based upon market values as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion

of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

Operation and Maintenance Tax Rates

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

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

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

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

District's Rights in the Event of Tax Delinquencies

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

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

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an unlimited amount, for operation and maintenance purposes. The Board levied a 2019 tax rate of \$0.044 per \$100 of assessed valuation for operation and maintenance purposes and a tax rate of \$0.307 per \$100 of assessed valuation for debt service purposes.

Tax Rate Limit

Debt Service: Unlimited (no legal limit as to rate or amount)
Maintenance: Unlimited (no legal limit as to rate or amount)

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all of any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds.

In the Bond Order, the debt service fund is confirmed, and the proceeds from all taxes levied, appraised and collected for payment of the Bonds authorized by the Bond Order shall be deposited, as collected.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. The Board is authorized to levy such a maintenance tax unlimited as to rate or amount. The District levied a 2019 maintenance tax rate of \$0.307 per \$100 of assessed valuation for operation and maintenance purposes. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Exemption

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation.

Additional Penalties

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

Tax Collection History

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

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Debt Rate</u>	<u>M&O Rate</u>	<u>Total Rate</u>	<u>Levy</u>	<u>Percent Current</u>	<u>Percent Total</u>	<u>Yr End Aug 31</u>
2005	\$385,218,036	\$0.0000	\$0.3250	\$0.3250	\$1,249,980	98.33%	99.21%	2006
2006	383,814,345	0.0000	0.3250	0.3250	1,253,103	98.37%	100.34%	2007
2007	399,842,836	0.0000	0.3240	0.3240	1,229,551	98.81%	100.42%	2008
2008	408,224,120	0.0000	0.3240	0.3240	1,325,550	99.16%	100.19%	2009
2009	403,695,139	0.0000	0.3240	0.3240	1,311,525	98.61%	99.28%	2010
2010	397,801,145	0.0000	0.3460	0.3460	1,380,758	98.96%	99.98%	2011
2011	406,038,587	0.0430	0.3030	0.3460	1,417,919	99.25%	100.20%	2012
2012	414,705,548	0.0430	0.3030	0.3460	1,447,579	99.14%	99.64%	2013
2013	448,775,146	0.0430	0.3030	0.3460	1,558,615	99.30%	100.13%	2014
2014	499,576,755	0.0335	0.3010	0.3345	1,688,739	99.48%	100.01%	2015
2015	558,522,803	0.0310	0.2920	0.3230	1,808,719	99.37%	100.03%	2016
2016	595,728,746	0.0310	0.2920	0.3230	1,938,373	99.08%	99.51%	2017
2017	613,763,704	0.0270	0.2960	0.3230	1,994,435	99.29%	100.15%	2018
2018	616,353,557	0.0270	0.3030	0.3300	2,037,379	99.08%	99.67%	2019
2019	645,180,192	0.0440	0.3070	0.3510	2,264,408	98.78%	99.19%	2020 (a)

(a) Collections through August 16, 2020 only.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation which would be required to meet certain debt service requirements if no growth in the District’s tax base occurs beyond the 2019 Taxable Value (\$645,180,192). The calculations assume collection of 98% of taxes levied and the sale of no additional bonds (other than the Bonds) by the District.

Average Annual Debt Service Requirements (2021/2039)	\$265,014
Tax Rate of \$0.042 on the 2019 Taxable Value produces	\$265,556
Maximum Annual Debt Service Requirements (2039)	\$281,050
Tax Rate of \$0.045 on the 2019 Taxable Value produces	\$284,524

Principal Taxpayers

The following table, which sets forth the District's principal taxpayers, was provided by the District's Tax Assessor/Collector based upon the 2019 and 2018 certified tax rolls (which reflect ownership of property as of January 1, 2019 and January 1, 2018, respectively) according to the records of the Tax Assessor/Collector:

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>2019 Taxable Value</u>	<u>% of '19 A.V.</u>	<u>2018 Taxable Value</u>	<u>% of '18 A.V.</u>
Texas Ford Inc	Auto Dealership	\$42,512,211	6.59%	\$43,358,053	7.04%
NHA Partners LLC	Apartments	21,900,000	3.39%	21,500,000	3.49%
Storage Trust Properties	Storage Facilities	12,513,628	1.94%	4,435,721	0.72%
Jim R Smith	Shopping Ctr/Bldgs	12,019,168	1.86%	11,687,964	1.90%
West Houston Luxury Impor	Auto Dealership	8,945,933	1.39%	3,805,762	0.62%
UH Storage De Limited Ptn	Storage Facilities	6,931,613	1.07%	5,603,422	0.91%
K Town Plaza LLC	Health Club	6,411,354	0.99%	(a)	
Security Village Association	Strip Center	4,574,296	0.71%	4,875,412	0.79%
Northwest Paradigm LP	Medical Office Bldg	4,037,125	0.63%	(a)	
Southwestern Bell Telephone	Telephone Utility	3,526,571	0.55%	3,524,264	0.57%
Tradewind Associates LLC	Shopping Center	(a)		3,148,658	0.55%
SJR 19806 Timberwind LLC	Strip Center	(a)		<u>3,126,703</u>	<u>0.51%</u>
Total--Top Ten		<u>\$123,371,899</u>	<u>19.12%</u>	<u>\$105,335,959</u>	<u>17.10%</u>

(a) Not among the top ten in this year.

Estimated Overlapping Taxes

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

<u>Taxing Entities</u>	<u>2019 Tax Rates</u>
Harris County	\$0.407130
Harris Co. Department of Education	0.005000
Harris Co. Emergency Services District No. 48	0.100000
Harris Co. Flood Control District	0.027920
Harris Co. Hospital District	0.165910
Katy Independent School District	1.443100
Port of Houston Authority	<u>0.010740</u>
Overlapping Taxes	\$2.159800
The District	<u>0.351000</u>
Total Direct & Overlapping Taxes	<u>\$2.510800</u>

Analysis of Tax Base

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

	<u>2019 Tax Year</u>			<u>2018 Tax Year</u>		
	<u>Amount</u>	<u>Amount</u>	<u>Prct</u>	<u>Amount</u>	<u>Amount</u>	<u>Prct</u>
Land	\$194,211,597		22.50%	\$189,462,463		22.83%
Improvements	626,297,843		72.55%	598,006,573		72.07%
Personal	<u>42,733,037</u>		4.95%	<u>42,338,791</u>		5.10%
Total Appraised Value		\$863,242,477			\$829,807,827	
Less: Exemptions						
Totally Exempt	\$61,519,801			\$61,272,242		
20% Homestead	107,902,392			108,816,956		
Over 65/Disabled	43,060,382			41,617,425		
Other	<u>5,582,393</u>	<u>218,064,968</u>		<u>1,941,064</u>	<u>213,647,687</u>	
		<u>\$645,177,508</u>			<u>\$616,160,140</u>	

	<u>2017 Tax Year</u>			<u>2016 Tax Year</u>		
	<u>Amount</u>	<u>Amount</u>	<u>Prct</u>	<u>Amount</u>	<u>Amount</u>	<u>Prct</u>
Land	\$189,173,898		22.71%	\$188,208,177		22.91%
Improvements	601,471,416		72.21%	590,247,001		71.84%
Personal	<u>42,259,859</u>		5.07%	<u>43,200,701</u>		5.26%
Total Appraised Value		\$832,905,173			\$821,655,879	
Less: Exemptions						
Totally Exempt	\$61,125,288			\$60,985,024		
20% Homestead	109,331,903			103,717,550		
Over 65/Disabled	40,292,224			38,388,298		
Other	<u>8,464,075</u>	<u>219,213,490</u>		<u>22,836,261</u>	<u>225,927,133</u>	
		<u>\$613,691,683</u>			<u>\$595,728,746</u>	

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

Strategic Partnership Agreement – Limited Purpose Annexation by City of Houston

The District entered into a Strategic Partnership Agreement (“SPA”) with the City of Houston (the “City”) effective as of December 2, 2002 whereby the tracts of land containing commercial development were annexed into the City for the limited purpose of applying certain of the City’s Planning, Zoning, Health and Safety Ordinances to the commercial businesses. The SPA was amended effective as of December 14, 2009 to include an additional tract. The City imposes a Sales and Use Tax within the annexed tracts on the receipts from the sales and use at retail of taxable items at the rate of one percent or such other rate as may be imposed by the City from time to time. Under the SPA, one-half or 50% of the sales tax revenue generated by the commercial business will be paid to the District, and the District can use the sales tax for any purpose for which the District is lawfully authorized. Neither the District nor any owners of taxable property in the District is liable for any present or future debts of the City and current and future ad valorem taxes levied by the City will not be levied on taxable property in the District.

In consideration of the services provided by the City, in lieu of full purpose annexation, the District is required to pay the City an annual fee of \$100 on each anniversary of the date the SPA was approved by the City Council of the City. Under the SPA the City agrees that it will not annex all or part of the District for a period of thirty years. See “THE BONDS–Annexation and Consolidation.”

The Bonds are not obligations of the City and the SPA does not obligate the City, either directly or indirectly to pay the principal of and interest on the Bonds.

The following is an analysis of the collection history of the SPA revenues received from the City for the years indicated:

<i>Ad Valorem Taxation Comparisons</i>				
<i><u>Fiscal Year Ended 6/30</u></i>	<i><u>SPA Receipts</u></i>	<i><u>Equivalent Tax Year</u></i>	<i><u>Tax Rate Equivalent</u></i>	<i><u>% of Adjusted Tax Levy</u></i>
2006	\$173,529	2005	\$0.0450	13.88%
2007	197,215	2006	.0514	15.74%
2008	132,342	2007	.0331	10.18%
2009	217,180	2008	.0532	16.38%
2010	208,079	2009	.0515	15.87%
2011	219,602	2010	.0552	15.90%
2012	255,502	2011	.0629	18.02%
2013	291,701	2012	.0703	20.15%
2014	294,809	2013	.0657	18.91%
2015	308,296	2014	.0617	18.26%
2016	307,281	2015	.0550	16.99%
2017	263,465	2016	.0442	13.59%
2018	269,026	2017	.0438	13.49%
2019	245,075	2018	.0398	12.03%
2020	249,484	2019	.0387	11.02%

THE SYSTEM

Regulation

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

Operation of the System is subject to regulation by, among others, the Environmental Protection Agency, the TCEQ, Harris County and the City of Houston. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Description of the System

The District has developed the System with proceeds of previously issued bonds, all of which have been retired, and with funds provided by developers, which were reimbursed in part with proceeds of such previously issued bonds. The System currently serves 2,709 equivalent single family connections ("ESFC") with water service and 3,180 ESFC with wastewater service.

-Water Supply and Distribution-

The water facilities include four water wells currently on line with a combined capacity of 5,900 gallons per minute ("gpm"). The water plants also include 25,000 gallons of pressure tanks, 2,940,000 gallons of ground storage tanks, 500,000 gallons of elevated storage tanks and booster pump capacity of 7,000 gpm. Water distribution lines have been installed throughout the District. The water supply facilities are capable of serving 3,500 ESFC.

The District also has interconnect agreements for water supply with Green Trails Municipal Utility District, Harris County Municipal Utility District No. 81 and Interstate Municipal Utility District.

-Wastewater Collection and Treatment-

The District has entered into joint agreements with two regional treatment facilities for the treatment of its wastewater. The two agreements, detailed below, give the District a total wastewater treatment capacity of 1,300,000 gallons per day ("gpd"). This capacity is capable of serving 4,333 ESFC (based on 300 gpd per connection).

West Memorial Regional Wastewater Treatment Plant: The District originally entered into an agreement on December 18, 1972 with three other districts to participate in the West Memorial Regional Wastewater Treatment Plant. The plant is located within the boundaries of the West Memorial Municipal Utility District which also operates and manages the facility. The plant had an original capacity of 2,570,000 gpd, of which the District had capacity ownership of 500,000 gpd. Pursuant to an amendatory agreement dated August 30, 1983, the districts, along with a fifth participating district, agreed to expand the capacity to the West Memorial Regional Wastewater Treatment Plant to 6,475,000 gpd, of which the District's ownership capacity consists of 800,000 gpd. The agreement expires in August 2023. The West Memorial Plant is capable of serving 21,583 ESFC, out of which the District's capacity share is 2,667 ESFC.

Cinco Regional Plant: In 1978, the District entered into an agreement with three other districts to participate in wastewater treatment plant known as the "Cinco Plant" together with a trunk-sewer collection system. Since 1978, the agreement has been amended and supplemented. The Cinco Plant has a total rated capacity of 3,000,000 gpd, of which the District has ownership of 500,000 gpd. Harris County Municipal District No. 81 operates the plant and there is an advisory operating committee composed of one representative from each member district. The Cinco Plant is capable of serving 10,000 ESFC, out of which the District's capacity share is 1,667 ESFC.

-Storm Drainage-

Storm sewer lines have been extended to serve the entirety of the District. The storm sewer lines drain directly into Mason Creek, a Harris County Flood Control District maintained channel.

According to the National Flood Insurance Program Flood Insurance Rate Map for Harris County dated June 18, 2007, the areas within the 100-year floodplain are contained within the drainage easements of Mason Creek.

Subsidence District

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater from its well is subject to annual permits issued by the Subsidence District. The Subsidence District has adopted a District Regulatory Plan (the "Plan") to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction. Under the Plan, the District must submit a groundwater reduction plan ("GRP") to the Subsidence District by January of 2003 and begin construction of surface water conversion infrastructure by January 2005, or pay a disincentive fee for any groundwater withdrawn in excess of 20% of the District's total water demand. Additional disincentive fees will be imposed under the Plan if the District's groundwater withdrawal exceeds 70% of the District's total water demand beginning January 2010, exceeds 30% of the District's total water demand beginning January 2020, and exceeds 20% of the District's total water demand beginning January 2030.

Pursuant to an order of the Subsidence District, the area within the boundaries of the District must be converted to at least 30% alternate source (e.g., surface) water use by 2010, 70% alternate source water use by 2020, and 80% alternate source water use by 2030. To implement the required conversion to alternate source water use in accordance with such schedule, the City of Houston will design, construct and operate a project to meet compliance of the Subsidence District. Effective July 18, 2003, the District executed a City of Houston Water Supply and Groundwater Reduction Plan Agreement for Regulatory Area 3, which operates to provide this alternative water source.

The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future in order to develop surface water conversion infrastructure or to participate in a regional surface water conversion effort. If the District does not meet the Subsidence District's requirements as described above, the District may be required to pay the disincentive fees adopted by the Subsidence District.

Rate Order

The District's utility rate order, subject to change from time to time by the Board, is summarized in part below from the most recent Rate Order, as amended July 15, 2020:

-Water Rates (a)-

Residential

First 3,000 gallons	\$21.53 (minimum)
Next 7,000 gallons	\$2.07 per 1,000 gallons
Next 5,000 gallons	\$3.15 per 1,000 gallons
Next 5,000 gallons	\$3.46 per 1,000 gallons
Over 20,000 gallons	\$5.33 per 1,000 gallons

Commercial

First 6,000 gallons	\$29.35 to \$648.78 (minimum) (b)
Over 6,000 gallons	\$2.98 per 1,000 gallons

(a) Plus the groundwater reduction fee per thousand gallons pumped by the District, currently \$1.06 per thousand gallons, including minimum quantities and additional quantities, if any.

(b) Minimum fees dependent on meter size.

-Sewer Rates-

Residential

First 3,000 gallons	\$21.92 (minimum)
Next 7,000 gallons	\$2.01 per 1,000 gallons
Next 5,000 gallons	\$2.82 per 1,000 gallons
Over 15,000 gallons	\$3.10 per 1,000 gallons

Commercial

First 6,000 gallons	\$21.42 (minimum)
Over 6,000 gallons	\$4.08 per 1,000 gallons

Historical Operations of the General Operating Fund

The following statement sets forth in condensed form the historical operations of the District's General Operating Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such information has been prepared based upon information obtained from the District's audited financial statements (except for the fiscal year ended June 30, 2020, based on unaudited District records), reference to which is made for further and complete information.

	<i>Fiscal Year Ended June 30,</i>					
	<u>2020(a)</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues						
Water Service	\$1,628,539	\$1,485,085	\$1,616,061	\$1,651,692	\$1,573,649	\$1,478,032
Sewer Service	1,158,448	1,074,650	1,093,110	1,126,350	1,108,874	1,051,536
Property Taxes	1,819,726	1,848,767	1,823,418	1,737,527	1,621,302	1,510,565
Sales Tax	249,484	245,075	269,026	263,465	307,281	308,296
Other Revenues	<u>179,589</u>	<u>370,167</u>	<u>197,653</u>	<u>161,200</u>	<u>173,201</u>	<u>151,293</u>
Total Revenues	\$5,035,786	\$5,023,744	\$4,999,268	\$4,940,234	\$4,784,307	\$4,499,722
Expenses						
Contracted Services	\$801,112	\$1,111,522	\$1,073,643	\$1,057,725	\$1,063,428	\$1,016,268
Purchased Sewer Svc	\$324,014	302,137	336,046	305,735	302,249	331,796
Payroll	621,360	404,672	390,752	344,588	283,509	265,700
Repairs/Maintenance	872,821	678,116	733,564	663,950	436,680	350,398
Professional Fees	70,461	109,321	128,061	55,539	103,095	74,478
Other Expense	<u>1,026,375</u>	<u>1,199,618</u>	<u>988,104</u>	<u>1,054,634</u>	<u>1,132,685</u>	<u>1,059,270</u>
Total Expenses	<u>3,716,143</u>	<u>\$3,805,386</u>	<u>\$3,650,170</u>	<u>\$3,482,171</u>	<u>\$3,321,646</u>	<u>\$3,097,910</u>
Net Revenue	<u>\$1,319,643</u>	<u>\$1,218,358</u>	<u>\$1,349,098</u>	<u>\$1,458,063</u>	<u>\$1,462,661</u>	<u>\$1,401,812</u>
Fund Balance, July 1		7,252,459	7,353,152	6,419,704	5,375,879	4,214,159
Capital Outlay	(268,715)	(676,790)	(1,832,840)	(989,242)	(418,836)	(339,491)
Insurance Proceeds	276,934	0	0	0	0	0
Plane Crash	(294,962)	0	0	0	0	0
Sale of Assets	0	34,600	0	18,000	0	0
Adjust Fund Balance	0	0	383,049	446,627	0	0
Transfers In (Out)	(57,995)	(506,324)	0	0	0	99,399
Fund Balance, June 30		<u>\$7,322,303</u>	<u>\$7,252,459</u>	<u>\$7,353,152</u>	<u>\$6,419,704</u>	<u>\$5,375,879</u>
Cash/Inv., June 30 (b)		<u>\$7,167,133</u>	<u>\$6,700,068</u>	<u>\$7,906,194</u>	<u>\$6,140,534</u>	<u>\$5,083,762</u>
Cash as % of Expense		188.34%	183.55%	227.05%	184.86%	164.10%
Customers at June 30		2,562	2,550	2,540	2,531	2,526

(a) Unaudited figures.

(b) Exclusive of customer deposits.

RISK FACTORS

General

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

Hurricane Harvey

The Houston area, including Harris County, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas gulf coast on August 25, 2017 and historic levels of rainfall during the succeeding four days. According to the District, approximately ten homes within the District were flooded, but with no interruption of water or wastewater service during Hurricane Harvey.

Recent Extreme Weather Events

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, including the District, has experienced four storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015.

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. An increase in the District's tax rate could cause demand for homes in the District to decline, which could reduce the home values in the District. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

Specific Flood Type Risks

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

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

Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

Coastal (or Storm Surge) Flood: Coastal, or storm surge, flooding occurs when sea levels or water levels in estuarial rivers, bayous and channels rise to abnormal levels in coastal areas, over and above the regular astronomical tide, caused by forces generated from a severe storm's wind, waves and low atmospheric pressure. Storm surge is extremely dangerous because it is capable of flooding large swaths of coastal property and causing catastrophic destruction. This type of flooding may be exacerbated when storm surge coincides with a normal high tide.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and of developed lots which are currently being marketed by the Developer for sale to homebuilders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability (see "Credit Market and Liquidity in the Financial Markets," below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 26 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and decline in the nation's real estate and financial markets could adversely affect development plans in the District and restrain the growth of the District's property tax base.

National Economy

Nationally, there has been a significant downturn in new housing construction, resulting in a decline in housing market values in recent years. The Houston area, which includes the District, has experienced reduced levels of home construction. The District cannot predict what impact, if any, a continued or renewed downturn in the local and national housing and financial markets may have on the Houston area market and specifically, the District.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The growth of taxable values in the District is directly related to the vitality of the housing development and commercial building industry in the Houston metropolitan area. The housing and building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions. During the late 1980's, an oversupply of single-family residential housing in the Houston metropolitan market and the general downturn in the Houston economy adversely affected the local residential development and construction industries. In addition to a decline in housing demand, mortgage foreclosure by private banks and government and financial institutions depressed housing prices and

the value of residential real estate in the Houston metropolitan area. The Houston economy is still somewhat dependent on energy prices and a precipitous decline in such prices could result in additional adverse effects on the Houston economy.

Maximum Impact on District Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2019 taxable value is \$645,180,192. See "TAX DATA." After issuance of the Bonds, the estimated maximum annual debt service requirement (2039) is \$281,050 and the average annual debt service requirements (2021/2039) is \$265,014. Assuming no increase or decrease from the above valuation and no use of funds other than tax collections, tax rates of \$0.045 and \$0.042 per \$100 assessed valuation at a 98% collection rate against the 2019 taxable value, respectively, would be necessary to pay such debt service requirements on the maximum annual and average annual debt service requirements. The Board has levied a tax rate of \$0.044 for debt service purposes for tax year 2019. See "DISTRICT DEBT--Debt Service Schedule" and the note following "TAX DATA--Tax Rate Calculations."

Overlapping Tax Rates

Consideration should be given to the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The combination of the District's and the overlapping taxing entities' tax rates is higher than the combined tax rates levied upon certain other comparable developments in the market area.

Consequently, an increase in the District's tax rate above those anticipated above may have an adverse impact on future development or the construction of additional taxable improvements in the District. See "DISTRICT DEBT--Estimated Overlapping Debt" and "TAX DATA--Estimated Overlapping Taxes."

Tax Collection Limitations

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

Registered Owners' Remedies

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 statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations or conditions prescribed in the Bond 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. If such judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on the property of the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the registered owners may further be limited by 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

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

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

Environmental Regulation and Air Quality

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the 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 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, 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, 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).

On 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 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 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. 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 non-stormwater 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.

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 also 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 the United States Army Corps of Engineers (“USACE”) promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in various 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 will officially become final sixty days after its publication in the Federal Register.

On December 11, 2018, the EPA and USACE released a proposed replacement definition of “waters of the United States.” The proposed definition outlines six categories of waters that would be considered “waters of the United States,” including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not “waters of the United States,” such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems.

On September 12, 2019, the EPA and USACE issued a final rule that repealed the CWR and restored the previous regulatory regime as it existed prior to the CWR. The new rule will take place 60 days after publication in the Federal Register.

Due to possible litigation challenging the new rule, there still remains significant 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 permitting requirements.

Future Debt

Following issuance of the Bonds, the District has \$129,000 in authorized but unissued combination unlimited tax and revenue bonds. The District has the right to issue such bonds and such additional bonds as may hereafter be approved by both the Board and voters of the District. The remaining authorized but unissued bonds may be issued by the District from time to time as needed.

The District has no plans to issue additional bond within the next twelve months.

Infectious Disease Outbreak – COVID-19

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

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation, which among other things, imposed limitations on social gatherings of more than 10 people, ordered closure of in-person classroom attendance at school districts through the remainder of the 2019-2020 school year and maintained certain mandates regarding the minimization of in-person contact with people who are not in the same household. On April 17, 2020 the Governor issued Executive Order GA-16 generally continuing the same social-distancing restrictions and other obligations for Texans according to federal guidelines, but also provided the first steps to re-open businesses in Texas beginning on May 1, 2020. On May 6, 2020, the Governor subsequently expanded the types of business that could reopen and provided for a staged reopening of those businesses starting May 8, 2020 and May 18, 2020. On May 18, 2020, the Governor provided a plan for the further reopening of businesses through the month of May, and reopened school campuses for in-person classroom instructions beginning June 1, 2020. In addition to the actions by the state and federal officials, certain local officials have declared a local state of disaster and have issued “shelter-in-place” orders. Many of the federal, state and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which negatively affects the operation of businesses and the state and national economies.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within 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 or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

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

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. See "TAX PROCEDURES" for a description of recent Texas legislation that limits the District's ability to set its operations and maintenance tax rates.

Continuing Compliance with Certain Covenants

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

Marketability

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

Approval of the Bonds

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

LEGAL MATTERS

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

Legal Review

Bond Counsel has reviewed the information appearing in this Official Statement under the sections captioned: "THE BONDS" (except the subsection "--Book-Entry-Only System"), "THE DISTRICT--Description," "TAX PROCEDURES--Authority to Levy Taxes," "LEGAL MATTERS - Legal Opinions," "LEGAL MATTERS--Legal Review" and "CONTINUING DISCLOSURE OF INFORMATION" (except the subsection "--Compliance with Prior Undertakings") solely to determine whether such information fairly summarizes matters of law with respect to the provisions of the documents referred to therein. Special Tax Counsel has reviewed the information in this Official Statement under the section captioned "TAX MATTERS--Tax Exemption" solely to determine whether such information correctly summarizes matters of law referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein, other than the matters discussed immediately above.

The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

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

No Material Adverse Change

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

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District secured by the proceeds of an ad valorem tax levied, without limit as to rate or amount, upon all taxable property in the District and, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the legal opinion of Bond Counsel to the effect that (1) the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and (2) are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement. Bond Counsel's opinion will address the matters described below under "TAX MATTERS--Tax Exemption."

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel (“Special Tax Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Special Tax Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Special Tax Counsel assumes the accuracy of these representations and compliance with these covenants. Special Tax Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Tax Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Special Tax Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Tax Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Special Tax Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise

prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Tax Counsel is expected to express no opinion.

The opinion of Special Tax Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Tax Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Special Tax Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Special Tax Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Special Tax Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended. Pursuant to that section of the Code, a qualifying financial institution will be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated "bank qualified" investments.

CONTINUING DISCLOSURE OF INFORMATION

The District, in the Bond Order, has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available free of charge from the Municipal Securities Rule Making Board ("MSRB") via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The District will provide certain financial information and operating data annually. The information to be updated includes the audited annual financial statements as found in this Official Statement under "APPENDIX A" and the schedules listed in "APPENDIX C." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2021. The District will provide the updated information to the MSRB or any successor to its functions as a repository through its EMMA system. Any information concerning the District so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report of the District is not complete within such period, then the District shall provide unaudited financial statements for the applicable entity and 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 June 30. Accordingly, it must provide updated information by December 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District; and the District intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this subcaption to have the same meanings as when they are used in the Rule, as evidenced by United States Securities and Exchange Commission Release No. 34-83885, dated August 20, 2018 (the “2018 Release”) and any further written guidance provided by the United States Securities and Exchange Commission or its staff with respect to the amendment to the Rule effected by the 2018 Release.

Availability of Information From EMMA

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

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as

described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

VERIFICATION OF ACCURACY OF MATHEMATICAL CALCULATIONS

The accuracy of the mathematical computations with respect to the adequacy of the funds available to provide for the payment of the Refunded Bonds will be verified by Ritz & Associates PA, a firm of independent certified public accountants. These computations will be based upon information and assumptions supplied by the Underwriter. Ritz & Associates PA has restricted its procedures to recalculating the computations provided by the Underwriter and has not evaluated or examined the assumptions or information used in the computations.

PREPARATION OF OFFICIAL STATEMENT

General

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

Consultants

The information contained in this Official Statement relating to the physical characteristics of the District and engineering matters and, in particular, that engineering information included in the sections captioned "THE DISTRICT" and "THE

SYSTEM" has been provided by the District's Engineer and has been included herein in reliance upon the authority of such firm as experts in the field of civil engineering.

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

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

Updating the Official Statement

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

Certification of Official Statement

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

/s/ Len Forsyth
President, Board of Directors
Mason Creek Utility District of Harris County, Texas

ATTEST:

/s/ Brian Connolly
Secretary, Board of Directors
Mason Creek Utility District of Harris County, Texas

APPENDIX A—Financial Statements of the District

MASON CREEK UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2019

MASON CREEK UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mason Creek Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Mason Creek Utility District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 16, 2019

**MASON CREEK UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Management's discussion and analysis of Mason Creek Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**MASON CREEK UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$17,559,255 as of June 30, 2019. A portion of the District's net position reflects its net investment in capital assets (water, wastewater, drainage and recreational facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of the Statement of Net Position as of June 30, 2019, and June 30, 2018:

**MASON CREEK UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 8,164,886	\$ 7,642,687	\$ 522,199
Capital Assets (Net of Accumulated Depreciation)	<u>11,434,100</u>	<u>11,233,952</u>	<u>200,148</u>
Total Assets	<u>\$ 19,598,986</u>	<u>\$ 18,876,639</u>	<u>\$ 722,347</u>
Bonds Payable	\$ 1,651,064	\$ 1,747,709	\$ 96,645
Other Liabilities	<u>388,667</u>	<u>405,871</u>	<u>17,204</u>
Total Liabilities	<u>\$ 2,039,731</u>	<u>\$ 2,153,580</u>	<u>\$ 113,849</u>
Net Position:			
Net Investment in Capital Assets	\$ 9,783,036	\$ 9,486,243	\$ 296,793
Restricted	405,763	(55,192)	460,955
Unrestricted	<u>7,370,456</u>	<u>7,292,008</u>	<u>78,448</u>
Total Net Position	<u>\$ 17,559,255</u>	<u>\$ 16,723,059</u>	<u>\$ 836,196</u>

The following table provides a comparative analysis of the District's operations for the fiscal years ending June 30, 2019, and June 30, 2018:

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,022,901	\$ 1,991,939	\$ 30,962
Charges for Services	2,623,845	2,772,388	(148,543)
Sales Taxes	245,075	269,026	(23,951)
Other Revenues	<u>339,766</u>	<u>537,467</u>	<u>(197,701)</u>
Total Revenues	<u>\$ 5,231,587</u>	<u>\$ 5,570,820</u>	<u>\$ (339,233)</u>
Expenses for Services	<u>4,395,391</u>	<u>4,566,284</u>	<u>170,893</u>
Change in Net Position	\$ 836,196	\$ 1,004,536	\$ (168,340)
Net Position, Beginning of Year	<u>16,723,059</u>	<u>15,718,523</u>	<u>1,004,536</u>
Net Position, End of Year	<u>\$ 17,559,255</u>	<u>\$ 16,723,059</u>	<u>\$ 836,196</u>

**MASON CREEK UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2019, were \$7,734,669, an increase of \$531,066 from the prior year.

The General Fund fund balance increased by \$69,844, primarily due to service and property tax revenues exceeding operating and capital expenditures as well as a transfer to the Debt Service Fund.

The Debt Service Fund fund balance increased by \$461,222, primarily due to the structure of the District's outstanding debt requirements and the recording of a transfer from the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$132,027 more than budgeted, primarily due to higher than projected property tax and investment revenues as well as a FEMA reimbursement. Actual expenditures were \$275,894 less than budgeted, primarily due to lower than expected purchased wastewater service, utilities, and capital expenditures.

LONG-TERM DEBT ACTIVITY

As of June 30, 2019, the District had total bond debt payable of \$1,695,000. The changes in the debt position of the District during the fiscal year ended June 30, 2019, are summarized as follows:

Bond Debt Payable, July 1, 2018	\$ 1,795,000
Less: Bond Principal Paid	<u>100,000</u>
Bond Debt Payable, June 30, 2019	<u>\$ 1,695,000</u>

The District's Series 2011 bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corporation. The District's underlying rating is "A+". Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The ratings above include all changes, if any, through June 30, 2019.

**MASON CREEK UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

CAPITAL ASSETS

Capital assets as of June 30, 2019, total \$11,434,100 and include buildings and equipment as well as the water, wastewater and drainage systems. Significant capital asset activity during the current fiscal year included the District's share of improvements at the West Memorial Municipal Utility District Regional Sewage Treatment Plant, various motors, pumps and other equipment, various improvements to recreational facilities and other improvements at the community center.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 729,167	\$ 729,167	\$
Construction in Progress	325,079		325,079
Capital Assets, Net of Accumulated Depreciation:			
Community Center	268,249	316,186	(47,937)
Recreational Facility	39,679	43,942	(4,263)
Buildings and Improvements	507,654	400,055	107,599
Furniture and Equipment	699,980	738,806	(38,826)
Water System	4,671,142	4,798,096	(126,954)
Wastewater System	4,106,094	4,100,650	5,444
Drainage System	87,056	107,050	(19,994)
Total Net Capital Assets	\$ 11,434,100	\$ 11,233,952	\$ 200,148

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mason Creek Utility District, 847 Dominion, Katy, Texas 77450.

MASON CREEK UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 2,108,066	\$ 429,217
Investments	5,114,955	
Receivables:		
Property Taxes	48,153	4,498
Penalty and Interest on Delinquent Taxes		
Service Accounts	258,312	
Accrued Interest	44,189	
Prepaid Costs	1,509	
Due from the City of Houston	69,579	
Joint Facilities Operating Advances	70,832	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 7,715,595	\$ 433,715

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 2,537,283	\$	\$ 2,537,283
5,114,955		5,114,955
52,651		52,651
	15,576	15,576
258,312		258,312
44,189		44,189
1,509		1,509
69,579		69,579
70,832		70,832
	729,167	729,167
	325,079	325,079
	<u>10,379,854</u>	<u>10,379,854</u>
<u>\$ 8,149,310</u>	<u>\$ 11,449,676</u>	<u>\$ 19,598,986</u>

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

MASON CREEK UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2019

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 289,251	\$ 999
Accrued Interest Payable		
Due to Taxpayers		15,852
Security Deposits	55,888	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 345,139	\$ 16,851
 DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 48,153	\$ 4,498
 FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 1,509	\$
Joint Facilities Operating Advances	70,832	
Restricted for Debt Service		412,366
Assigned For 2020 Budget Deficit	1,019,282	
Unassigned	6,230,680	
TOTAL FUND BALANCES	\$ 7,322,303	\$ 412,366
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,715,595	\$ 433,715
 NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 290,250	\$	\$ 290,250
	26,677	26,677
15,852		15,852
55,888		55,888
	105,000	105,000
	<u>1,546,064</u>	<u>1,546,064</u>
<u>\$ 361,990</u>	<u>\$ 1,677,741</u>	<u>\$ 2,039,731</u>
<u>\$ 52,651</u>	<u>\$ (52,651)</u>	<u>\$ - 0 -</u>
\$ 1,509	\$ (1,509)	\$
70,832	(70,832)	
412,366	(412,366)	
1,019,282	(1,019,282)	
<u>6,230,680</u>	<u>(6,230,680)</u>	
<u>\$ 7,734,669</u>	<u>\$ (7,734,669)</u>	<u>\$ - 0 -</u>
<u>\$ 8,149,310</u>		
	\$ 9,783,036	\$ 9,783,036
	405,763	405,763
	<u>7,370,456</u>	<u>7,370,456</u>
	<u>\$ 17,559,255</u>	<u>\$ 17,559,255</u>

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

MASON CREEK UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balances - Governmental Funds \$ 7,734,669

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 11,434,100

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District. 68,227

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (26,677)	
Bonds Payable	<u>(1,651,064)</u>	<u>(1,677,741)</u>

Total Net Position - Governmental Activities \$ 17,559,255

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

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MASON CREEK UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,848,767	\$ 164,858
Water Service	1,173,294	
Wastewater Service	1,074,650	
Groundwater Reduction Fees	311,791	
Sales Tax Revenues	245,075	
Penalty and Interest	26,148	15,439
Tap Connection and Inspection Fees	25,129	
Community Center Fees	63,818	
Proceeds from Sale of Assets	34,600	
Investment, FEMA, and Miscellaneous Revenues	255,072	1,783
TOTAL REVENUES	\$ 5,058,344	\$ 182,080
EXPENDITURES/EXPENSES		
Service Operations:		
Personnel	\$ 404,672	\$
Professional Fees	109,321	4,865
Contracted Services	1,111,522	47,922
Purchased Wastewater Service	302,137	
Utilities	319,981	
Groundwater Reduction Costs	313,588	
Repairs and Maintenance	678,116	
Depreciation		
Community Center	328,748	
Other	237,301	8,370
Capital Outlay	676,790	
Debt Service:		
Bond Principal		100,000
Bond Interest		66,025
TOTAL EXPENDITURES/EXPENSES	\$ 4,482,176	\$ 227,182
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 576,168	\$ (45,102)
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ (506,324)	\$ 506,324
NET CHANGE IN FUND BALANCES	\$ 69,844	\$ 461,222
CHANGE IN NET POSITION		
FUND BALANCES(DEFICIT)/NET POSITION - JULY 1, 2018	7,252,459	(48,856)
FUND BALANCES/NET POSITION - JUNE 30, 2019	\$ 7,322,303	\$ 412,366

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 2,013,625	\$ 9,276	\$ 2,022,901
1,173,294		1,173,294
1,074,650		1,074,650
311,791		311,791
245,075		245,075
41,587	(2,606)	38,981
25,129		25,129
63,818		63,818
34,600	(15,507)	19,093
256,855		256,855
<u>\$ 5,240,424</u>	<u>\$ (8,837)</u>	<u>\$ 5,231,587</u>
\$ 404,672	\$	\$ 404,672
114,186		114,186
1,159,444		1,159,444
302,137		302,137
319,981		319,981
313,588		313,588
678,116		678,116
	547,056	547,056
328,748	(85,921)	242,827
245,671		245,671
676,790	(676,790)	
100,000	(100,000)	
66,025	1,688	67,713
<u>\$ 4,709,358</u>	<u>\$ (313,967)</u>	<u>\$ 4,395,391</u>
<u>\$ 531,066</u>	<u>\$ 305,130</u>	<u>\$ 836,196</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
\$ 531,066	\$ (531,066)	\$
	836,196	836,196
<u>7,203,603</u>	<u>9,519,456</u>	<u>16,723,059</u>
<u>\$ 7,734,669</u>	<u>\$ 9,824,586</u>	<u>\$ 17,559,255</u>

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

MASON CREEK UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Governmental Funds \$ 531,066

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied. 9,276

Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed. (2,606)

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. (547,056)

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected. 747,204

Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities. 100,000

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. (1,688)

Change in Net Position - Governmental Activities \$ 836,196

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

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. CREATION OF DISTRICT

Mason Creek Utility District of Harris County, Texas (the “District”) was created by the Acts of the 62nd Legislature of Texas, Regular Session, 1971, page 2164, chapter 664, pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution. The District operates under the provisions of Chapters 49 and 54, Texas Water Code, as amended. The Board of Directors held its first meeting on December 29, 1971 and its first bonds were sold on July 23, 1973.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”). The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. During the current fiscal year, the District recorded a transfer of \$506,324 from the General Fund to the Debt Service Fund in order to eliminate the interfund liability between the funds which reflects the Board’s intent not to reimburse the General Fund. The District’s policy is to cover any deficits with transfers from the General Fund.

Capital Assets

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

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$2,500 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	50
Water System	50
Wastewater System	50
Drainage System	40
Sewer Plant Contribution	50
Community Center	20
Machinery and Equipment	15
Furniture and Equipment	20
Transportation Equipment	5

Budgeting

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

Pensions

The District has established a simplified pension plan. It has also elected to provide social security coverage to all employees who are not participating in a public retirement system. See Note 10. The Internal Revenue Service determined that fees of office received by Directors are considered wages subject to federal income tax withholding for payroll purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District assigned \$1,019,282 of its General Fund fund balance to cover a budgeted shortfall in fiscal year 2020.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3. LONG-TERM DEBT

	Series 2011
Amounts Outstanding - June 30, 2019	\$ 1,695,000
Interest Rates	3.00% - 4.30%
Maturity Dates – Serially Beginning/Ending	August 1, 2019/2031
Interest Payment Dates	August 1 / February 1
Callable Dates	August 1, 2019*

* Or on any date thereafter, in whole or part, at a price of par value plus accrued interest to the date fixed for redemption. Series 2011 Term Bonds maturing on August 1, 2021, 2023, 2025, 2027, 2029, and 2031, are subject to mandatory redemption beginning August 1, 2020, 2022, 2024, 2026, 2028, and 2030, respectively.

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2019:

	July 1, 2018	Additions	Retirements	June 30, 2019
Bonds Payable	\$ 1,795,000	\$	\$ 100,000	\$ 1,695,000
Unamortized Discounts	(47,291)		(3,355)	(43,936)
Bonds Payable, Net	\$ 1,747,709	\$ -0-	\$ 96,645	\$ 1,651,064
		Amount Due Within One Year		\$ 105,000
		Amount Due After One Year		1,546,064
		Bonds Payable, Net		\$ 1,651,064

As of June 30, 2019, the District had authorized but unissued bonds in the amount of \$2,779,000 for utility facilities. 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. As of June 30, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 105,000	\$ 61,926	\$ 166,926
2021	105,000	58,249	163,249
2022	110,000	55,025	165,025
2023	115,000	51,478	166,478
2024	120,000	47,600	167,600
2025-2029	665,000	168,703	833,703
2030-2032	475,000	31,151	506,151
	\$ 1,695,000	\$ 474,132	\$ 2,169,132

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended June 30, 2019, the District levied an ad valorem debt service tax rate of \$0.027 per \$100 of assessed valuation, which resulted in a tax levy of \$166,984 on the adjusted taxable valuation of \$618,458,540 for the 2018 tax year. The bond resolution requires the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy. The District's tax calendar is as follows:

Lien Date	- January 1.
Levy Date	- October 1 or as soon thereafter as practicable.
Due Date	- Not later than January 31.
Delinquent Date	- February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

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

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of the issue.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$7,652,238 and the bank balance was \$7,625,232. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2019, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 2,108,066	\$ 5,114,955	\$ 7,223,021
DEBT SERVICE FUND	429,217		429,217
TOTAL DEPOSITS	\$ 2,537,283	\$ 5,114,955	\$ 7,652,238

Investments

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

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

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 2019, the District had the following investments and maturities:

<u>Fund and Investment Type</u>	<u>Fair Value</u>	<u>Maturities of Less Than 1 year</u>	<u>1-5 Years</u>
<u>GENERAL FUND</u>			
Certificates of Deposit	<u>\$5,114,955</u>	<u>\$ 4,871,881</u>	<u>\$ 243,074</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage or that are covered by pledged securities for balances that exceed FDIC coverage. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages interest rate risk by investing in certificates of deposit with maturities of less than two years.

Restrictions

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

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 is as follows:

	July 1, 2018	Increases	Decreases	June 30, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 729,167	\$	\$	\$ 729,167
Construction in Progress		762,711	437,632	325,079
Total Capital Assets Not Being Depreciated	<u>\$ 729,167</u>	<u>\$ 762,711</u>	<u>\$ 437,632</u>	<u>\$ 1,054,246</u>
Capital Assets Subject to Depreciation				
Community Center	\$ 1,310,627	\$	\$	\$ 1,310,627
Recreational Facility	99,752			99,752
Buildings and Improvements	691,239	118,350		809,589
Furniture and Equipment	1,763,582	46,925	55,326	1,755,181
Water System	11,151,203	110,608		11,261,811
Wastewater System	8,786,404	161,749		8,948,153
Drainage System	4,333,210			4,333,210
Total Capital Assets Subject to Depreciation	<u>\$ 28,136,017</u>	<u>\$ 437,632</u>	<u>\$ 55,326</u>	<u>\$ 28,518,323</u>
Accumulated Depreciation				
Community Center	\$ 994,441	\$ 47,937	\$	\$ 1,042,378
Recreational Facility	55,810	4,263		60,073
Buildings and Improvements	291,184	10,751		301,935
Furniture and Equipment	1,024,776	70,244	39,819	1,055,201
Water System	6,353,107	237,562		6,590,669
Wastewater System	4,685,754	156,305		4,842,059
Drainage System	4,226,160	19,994		4,246,154
Total Accumulated Depreciation	<u>\$ 17,631,232</u>	<u>\$ 547,056</u>	<u>\$ 39,819</u>	<u>\$ 18,138,469</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 10,504,785</u>	<u>\$ (109,424)</u>	<u>\$ 15,507</u>	<u>\$ 10,379,854</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 11,233,952</u>	<u>\$ 653,287</u>	<u>\$ 453,139</u>	<u>\$ 11,434,100</u>

NOTE 7. MAINTENANCE TAX

On May 1, 1999, the voters within the District approved for the District to levy an unlimited maintenance tax rate per \$100 of assessed valuation on property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended June 30, 2019, the District levied an ad valorem maintenance tax rate of \$0.303 per \$100 of assessed valuation, which resulted in a tax levy of \$1,873,930 on the adjusted taxable valuation of \$618,458,540 for the 2018 tax year.

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8. WASTEWATER TREATMENT PLANT FACILITIES

West Memorial Regional Wastewater Treatment Plant

On December 18, 1972, the District entered into agreements with Harris County Municipal Utility District No. 81, West Memorial Municipal Utility District (“West Memorial”), then known as Harris County Water Control and Improvement District No. 134, and Cimarron Municipal Utility District (the “Participants”) for the provision of a regional waste treatment facility. The Plant is owned and operated by West Memorial and expanded by the Participants.

On August 30, 1983, the District and the Participants amended the agreement to include Interstate Municipal Utility District. On January 25, 1994, West Memorial purchased 29,000 gallons per day (gpd) of capacity from Cimarron Municipal Utility District. The amendment also provided for the expansion of the Plant to a capacity of 6,475,000 gpd. The Participants agreed to finance the expansion to include the issuance of bonds, if required. The term of the agreement is 40 years from the effective date of the amendment. Current capacity ownership is as follows:

	Owned Capacity in Gallons Per Day	Percentage of Ownership
The District	800,000	12.36%
West Memorial Municipal Utility District	599,000	9.25
Harris County Municipal Utility District No. 81	1,255,000	19.38
Cimarron Municipal Utility District	2,471,000	38.16
Interstate Municipal Utility District	1,350,000	20.85
TOTAL	6,475,000	100.00%

Oversight of the Plant is exercised by the Board of Directors of West Memorial. The terms of the agreement provide for an operating reserve equivalent to three months operation and maintenance costs as set forth in the annual budget allocated to the Participants based on equivalent connections. The allocation of the operating reserve at June 30, 2019, is as follows:

The District	\$ 40,832
West Memorial Municipal Utility District	52,690
Harris County Municipal Utility District No. 81	87,113
Cimarron Municipal Utility District	144,129
Interstate Municipal Utility District	89,036
Total	\$ 413,800

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8. WASTEWATER TREATMENT PLANT FACILITIES (Continued)

West Memorial Regional Wastewater Treatment Plant (Continued)

The District's pro rata share of current year operating expenditures was \$152,567. The Participants are billed for operations based on a budgeted cost per connection. At fiscal year-end, revenues are adjusted to equal actual expenditures. Overages are disbursed to participants and shortages are billed to participants. The following summary financial data of the West Memorial Regional Wastewater Plant is presented for the fiscal year ended June 30, 2019.

Total Assets	\$ 832,805
Total Liabilities	<u>419,005</u>
Total Fund Balance	<u>\$ 413,800</u>
Total Revenues	\$ 3,412,642
Total Expenditures	<u>3,412,642</u>
Net Change in Fund Balance	\$ - 0 -
Increase (Decrease) in Operating Reserve	(3,388)
Beginning Fund Balance	<u>417,188</u>
Ending Fund Balance	<u>\$ 413,800</u>

Cinco Regional Sewage Treatment Plant

Cinco Regional Sewage Treatment Plant (the Plant) was established by agreements between Cornerstones Municipal Utility District, Harris County Municipal Utility District No. 81 (District No. 81), the District and Memorial Municipal Utility District on May 15, 1978, and as subsequently amended and restated. The agreement and subsequent amendments were entered into for the purpose of sharing the costs of constructing and operating a regional sewage treatment plant. Current capacity and ownership is as follows:

	Owned Capacity in Gallons Per Day	Percentage of Ownership
The District	500,000	16.67%
Cornerstones Municipal Utility District	1,000,000	33.33
Harris County Municipal Utility District No. 81	560,000	18.67
Memorial Municipal Utility District	<u>940,000</u>	<u>31.33</u>
TOTAL	<u>3,000,000</u>	<u>100.00%</u>

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8. WASTEWATER TREATMENT PLANT FACILITIES (Continued)

Cinco Regional Sewage Treatment Plant (Continued)

The participants are billed for fixed and variable plant operating costs on a monthly basis. Variable costs, consisting primarily of chemicals, sludge, and electricity costs, are allocated to each participant based on the number of connections served for each participant divided by the total number of connections served by the plant. Fixed costs are allocated based on ownership percentage and consist of all other costs of operating the plant. Major capital costs may be allocated as fixed or variable costs, depending on the nature of the costs. Each participant has made equal cash deposits for an operating reserve totaling \$120,000, of which the District's share is \$30,000. The District's pro rata share of current year operating expenditures was \$149,570. The following summary financial data of the Cinco Regional Sewage Treatment Plant is presented for the fiscal year ended December 31, 2018.

Total Assets	\$ 178,085
Total Liabilities	<u>58,085</u>
Total Fund Balance	<u>\$ 120,000</u>
Total Revenues	\$ 1,288,892
Total Other Financing Sources	243,971
Total Expenditures	<u>(1,532,863)</u>
Net Change in Fund Balance	\$ -0-
Beginning Fund Balance	<u>120,000</u>
Ending Fund Balance	<u>\$ 120,000</u>

The participants have also entered into a Reclaimed Water Agreement dated May 11, 2016, which was amended on February 15, 2017. Under this agreement Cinco MUD No. 1 will construct and operate a wastewater treatment plant effluent reuse facility for the benefit of all participants.

NOTE 9. COMPENSATED ABSENCES

Employees of the District are entitled to paid vacation, sick days and holidays based on meeting certain criteria. These benefits are determined on a calendar year basis and may not be carried over to the succeeding year. The District has elected not to accrue immaterial, compensated absences as of June 30, 2019.

NOTE 10. RETIREMENT PLAN

The District established a simplified employee pension plan (defined contribution) on December 13, 1995. The plan has a calendar year end and provides for a maximum contribution of 25% of wages for eligible employees. Eligible employees are fully vested in plan balances. The District contributed 10% of the eligible employees' salaries to the plan which totaled \$22,971 for the current fiscal year.

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11. GROUNDWATER REDUCTION PLAN

On January 8, 2003 the District executed an agreement between the City of Houston and the District, which was effective as of the date countersigned by the City of Houston ("GRP Manager"). The agreement was countersigned on July 18, 2003 and is known as the "City of Houston Water Supply and Groundwater Reduction Plan Wholesale Agreement for Regulatory Area 3 of the Harris-Galveston Coastal Subsidence District," (the "Agreement"). The Agreement, which expires at noon on October 31, 2040, relates to a project for water to be supplied pursuant to this Agreement which must be derived primarily from surface water. By January 2030, groundwater withdrawals are to comprise no more than 20% of the pumper's total water demand. The District's costs for the year ended June 30, 2019 totaled \$313,588.

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and there have been no settlements.

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT

Effective December 2, 2002, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the "Subject Tract" for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Subject Tract within the boundaries of the District.

Upon annexation, the City began imposing a Sales and Use Tax within the boundaries of the Subject Tract at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays the District one-half of all Sales and Use Tax revenues generated within the boundaries of the Subject Tract within 30 days of the City receiving the funds from the State Comptroller's office. During the current fiscal year, the District collected \$245,075 in sales tax revenue from the City of Houston, of which \$69,579 was recorded as receivable at year end.

The City agrees 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 term of this Agreement is 30 years from the effective date of the agreement.

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14. EMERGENCY WATER SUPPLY CONTRACTS

On January 1, 1998, the District executed an emergency water supply contract with Harris County Municipal Utility District No. 81. The parties agree to furnish water to each other on an emergency basis for a maximum period of 15 days unless otherwise agreed in writing between the districts. The price to be paid for water delivered is \$1.75 per 1,000 gallons of water used. This contract will remain in effect until terminated in writing by either party.

On October 16, 2006, the District executed an emergency water supply contract with Interstate Municipal Utility District. The parties agree to furnish water to each other on an emergency basis for a maximum period of 15 days unless otherwise agreed in writing between the districts. The price to be paid for water delivered is \$1.75 per 1,000 gallons of water used. This contract will remain in effect until terminated in writing by either party.

On June 15, 2012, the District executed an emergency water supply contract with Green Trails Municipal Utility District. The parties agree to furnish water to each other on an emergency basis for a maximum period of 30 days unless otherwise agreed in writing between the districts. The price to be paid for water delivered is the first increment of volume used above the minimum monthly charge by single-family residential customers inside the district's boundaries, plus an additional amount necessary to cover City of Houston groundwater reduction fees. This contract will remain in effect until terminated in writing by either party.

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MASON CREEK UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

MASON CREEK UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,758,837	\$ 1,848,767	\$ 89,930
Water Service	1,235,650	1,173,294	(62,356)
Wastewater Service	1,074,750	1,074,650	(100)
Groundwater Reduction Fees	332,200	311,791	(20,409)
Sales Tax Revenues	295,250	245,075	(50,175)
Penalty and Interest	23,600	26,148	2,548
Tap Connection and Inspection Fees	10,660	25,129	14,469
Community Center Fees	84,250	63,818	(20,432)
Miscellaneous Revenues	111,120	289,672	178,552
TOTAL REVENUES	<u>\$ 4,926,317</u>	<u>\$ 5,058,344</u>	<u>\$ 132,027</u>
EXPENDITURES			
Services Operations:			
Personnel	\$ 394,010	\$ 404,672	\$ (10,662)
Professional Fees	86,600	109,321	(22,721)
Contracted Services	1,130,750	1,111,522	19,228
Purchased Wastewater Service	342,400	302,137	40,263
Utilities	350,590	319,981	30,609
Groundwater Reduction Costs	319,400	313,588	5,812
Repairs and Maintenance	717,000	678,116	38,884
Community Center	302,980	328,748	(25,768)
Other	214,340	237,301	(22,961)
Capital Outlay	900,000	676,790	223,210
TOTAL EXPENDITURES	<u>\$ 4,758,070</u>	<u>\$ 4,482,176</u>	<u>\$ 275,894</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 168,247</u>	<u>\$ 576,168</u>	<u>\$ 407,921</u>
OTHER FINANCING SOURCES(USES)			
Transfers In(Out)	<u>\$ -0-</u>	<u>\$ (506,324)</u>	<u>\$ (506,324)</u>
NET CHANGE IN FUND BALANCE	\$ 168,247	\$ 69,844	\$ (98,403)
FUND BALANCE - JULY 1, 2018	<u>7,252,459</u>	<u>7,252,459</u>	<u></u>
FUND BALANCE - JUNE 30, 2019	<u><u>\$ 7,420,706</u></u>	<u><u>\$ 7,322,303</u></u>	<u><u>\$ (98,403)</u></u>

See accompanying independent auditor's report.

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MASON CREEK UTILITY DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

JUNE 30, 2019

**MASON CREEK UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2019**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order adopted April 17, 2019.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 20.58	3,000	N	\$ 2.03 \$ 3.08 \$ 3.39 \$ 5.22	3,001 to 10,000 10,001 to 15,000 15,001 to 20,000 20,001 and up
WASTEWATER:	\$ 20.40	3,000	N	\$2.01 \$2.82 \$3.10 \$3.10	3,001 to 10,000 10,001 to 15,000 15,001 to 20,000 20,001 and up
SURCHARGE:					
Groundwater Reduction				\$1.06	Per 1,000 gallons
Regulatory Assessment Fee	.5% of water and wastewater billed				

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$34.79 Wastewater: \$35.49 Surcharge: \$10.95

See accompanying independent auditor’s report.

**MASON CREEK UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2019**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	2,463	2,448	x 1.0	2,448
1"	50	46	x 2.5	115
1½"	15	14	x 5.0	70
2"	40	40	x 8.0	320
3"	1	1	x 15.0	15
4"	2	2	x 25.0	50
6"	9	9	x 50.0	450
8"	2	2	x 80.0	160
10"			x 115.0	
Total Water Connections	<u>2,582</u>	<u>2,562</u>		<u>3,628</u>
Total Wastewater Connections	<u>2,360</u>	<u>2,341</u>	x 1.0	<u>2,341</u>

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

Gallons pumped into system:	318,931,000	Water Accountability Ratio: 91% (Gallons billed/Gallons pumped)
Gallons billed to customers:	291,223,000	

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2019

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**MASON CREEK UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2019**

PERSONNEL EXPENDITURES (Including Benefits)	\$ <u>404,672</u>
PROFESSIONAL FEES:	
Auditing	\$ 17,250
Engineering	32,955
Legal	<u>59,116</u>
TOTAL PROFESSIONAL FEES	\$ <u>109,321</u>
PURCHASED WASTEWATER SERVICE	\$ <u>302,137</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 41,490
Operations and Billing	397,346
Tax Collector - Sales Tax Monitoring	<u>1,987</u>
TOTAL CONTRACTED SERVICES	\$ <u>440,823</u>
UTILITIES:	
Electricity	\$ 176,109
Telephone	<u>25,305</u>
TOTAL UTILITIES	\$ <u>201,414</u>
REPAIRS AND MAINTENANCE	\$ <u>678,116</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 23,400
Insurance	69,116
Office Supplies and Postage	31,768
Service Charges/Credit Card Fees	11,277
Travel and Meetings	10,912
Rent and Leases	13,248
Other	<u>27,825</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>187,546</u>

See accompanying independent auditor's report.

**MASON CREEK UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2019**

CAPITAL OUTLAY	\$ <u>676,790</u>
SOLID WASTE DISPOSAL	\$ <u>650,140</u>
STREET LIGHTS	\$ <u>118,567</u>
SECURITY	\$ <u>20,559</u>
COMMUNITY CENTER	\$ <u>328,748</u>
OTHER EXPENDITURES:	
Chemicals	\$ 32,137
Groundwater Reduction Costs	313,588
Permit Fees	6,381
Regulatory Assessment	<u>11,237</u>
TOTAL OTHER EXPENDITURES	\$ <u>363,343</u>
TOTAL EXPENDITURES	\$ <u><u>4,482,176</u></u>

Number of persons employed by the District 7 Full-Time 2 Part-Time

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
INVESTMENTS
JUNE 30, 2019

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
Certificate of Deposit	XXXX0243	2.25%	09/08/20	\$ 243,074	\$ 1,708
Certificate of Deposit	XXXX9123	2.04%	09/09/19	508,110	3,152
Certificate of Deposit	XXXX1422	2.07%	12/16/19	1,250,000	7,373
Certificate of Deposit	XXXX7087	2.38%	07/21/19	250,000	5,575
Certificate of Deposit	XXXX0664	2.16%	08/01/19	1,000,000	8,581
Certificate of Deposit	XXXX8605	2.25%	10/07/19	1,052,759	17,262
Certificate of Deposit	XXXX9628	2.20%	06/19/20	392,425	260
Certificate of Deposit	XXXX9631	2.20%	06/19/20	418,587	278
TOTAL GENERAL FUND				<u>\$ 5,114,955</u>	<u>\$ 44,189</u>

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2019

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JULY 1, 2018	\$	39,549	\$	3,826
Adjustments to Beginning				
Balance		<u>(16,559)</u>	\$	<u>(1,454)</u>
		\$	22,990	\$
				2,372
Original 2018 Tax Levy	\$	1,817,569	\$	161,962
Adjustment to 2018 Tax Levy		<u>56,361</u>	<u>1,873,930</u>	<u>5,022</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	1,896,920	\$
				169,356
TAX COLLECTIONS:				
Prior Years	\$	(1,011)	\$	26
Current Year		<u>1,849,778</u>	<u>1,848,767</u>	<u>164,832</u>
				<u>164,858</u>
TAXES RECEIVABLE -				
JUNE 30, 2019		<u>\$</u>	<u>48,153</u>	<u>\$</u>
				<u>4,498</u>
TAXES RECEIVABLE BY				
YEAR:				
2018	\$	24,152	\$	2,152
2017		6,454		589
2016		5,032		534
2015		3,439		365
2014		1,777		198
2013		1,681		239
2012		2,244		318
2011 and prior		<u>3,374</u>		<u>103</u>
TOTAL		<u>\$</u>	<u>48,153</u>	<u>\$</u>
				<u>4,498</u>

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2019

	2018	2017	2016	2015
PROPERTY VALUATIONS:				
Land	\$ 189,462,463	\$ 189,483,570	\$ 188,095,696	\$ 184,944,479
Improvements	599,097,402	605,037,707	594,144,014	588,870,571
Personal Property	42,315,529	40,551,871	42,677,882	40,332,036
Exemptions	<u>(212,416,854)</u>	<u>(214,880,064)</u>	<u>(224,220,136)</u>	<u>(254,182,537)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 618,458,540</u>	<u>\$ 620,193,084</u>	<u>\$ 600,697,456</u>	<u>\$ 559,964,549</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.027	\$ 0.027	\$ 0.031	\$ 0.031
Maintenance	<u>0.303</u>	<u>0.296</u>	<u>0.292</u>	<u>0.292</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.330</u>	<u>\$ 0.323</u>	<u>\$ 0.323</u>	<u>\$ 0.323</u>
ADJUSTED TAX LEVY*	<u>\$ 2,040,914</u>	<u>\$ 2,003,223</u>	<u>\$ 1,940,253</u>	<u>\$ 1,808,685</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.71 %</u>	<u>99.65 %</u>	<u>99.71 %</u>	<u>99.79 %</u>

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

** Maintenance Tax - Unlimited tax rate per \$100 of assessed valuation approved by voters on May 1, 1999.

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

S E R I E S - 2 0 1 1				
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total	
2020	\$ 105,000	\$ 61,926	\$	166,926
2021	105,000	58,249		163,249
2022	110,000	55,025		165,025
2023	115,000	51,478		166,478
2024	120,000	47,600		167,600
2025	120,000	43,460		163,460
2026	125,000	39,050		164,050
2027	135,000	34,184		169,184
2028	140,000	28,856		168,856
2029	145,000	23,153		168,153
2030	150,000	17,069		167,069
2031	160,000	10,535		170,535
2032	165,000	3,547		168,547
	\$ 1,695,000	\$ 474,132	\$	2,169,132

See accompanying independent auditor's report.

**MASON CREEK UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2019**

Description	Original Bonds Issued	Bonds Outstanding July 1, 2018
Mason Creek Utility District Unlimited Tax Bonds - Series 2011	<u>\$ 2,350,000</u>	<u>\$ 1,795,000</u>
Bond Authority:		Tax Bonds
Amount Authorized by Voters		\$ 21,999,000
Amount Issued		19,220,000
Remaining to be Issued		\$ 2,779,000
Debt Service Fund cash and investment balances as of June 30, 2019:		\$ 429,217
Average annual debt service payment (principal and interest) for remaining term of all debt:		\$ 166,856

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding June 30, 2019</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
<u>\$ - 0 -</u>	<u>\$ 100,000</u>	<u>\$ 66,025</u>	<u>\$ 1,695,000</u>	Wells Fargo Bank N.A. Dallas, TX

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 1,848,767	\$ 1,823,418	\$ 1,737,527
Water Service	1,173,294	1,286,332	1,303,251
Wastewater Service	1,074,650	1,093,110	1,126,350
Groundwater Reduction Fees	311,791	329,729	348,441
Sales Tax Revenues	245,075	269,026	263,465
Penalty and Interest	26,148	23,436	27,679
Tap Connection and Inspection Fees	25,129	21,241	11,253
Community Center Fees	63,818	77,596	74,231
Proceeds from Sale of Assets	34,600		18,000
Investment, FEMA and Miscellaneous Revenues	<u>255,072</u>	<u>75,380</u>	<u>48,037</u>
TOTAL REVENUES	<u>\$ 5,058,344</u>	<u>\$ 4,999,268</u>	<u>\$ 4,958,234</u>
EXPENDITURES			
Personnel	\$ 404,672	\$ 390,752	\$ 344,588
Professional Fees	109,321	128,061	55,539
Contracted Services	1,111,522	1,073,643	1,057,725
Purchased Wastewater Service	302,137	336,046	305,735
Utilities	319,981	330,054	356,751
Groundwater Reduction Costs	313,588	321,493	352,579
Repairs and Maintenance	678,116	733,564	663,950
Community Center	328,748	98,550	129,175
Other	237,301	238,007	216,129
Capital Outlay	<u>676,790</u>	<u>1,832,840</u>	<u>989,242</u>
TOTAL EXPENDITURES	<u>\$ 4,482,176</u>	<u>\$ 5,483,010</u>	<u>\$ 4,471,413</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 576,168</u>	<u>\$ (483,742)</u>	<u>\$ 486,821</u>
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ (506,324)	\$	\$
Developer Contributions		<u>383,049</u>	<u>446,627</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (506,324)</u>	<u>\$ 383,049</u>	<u>\$ 446,627</u>
NET CHANGE IN FUND BALANCE	\$ 69,844	\$ (100,693)	\$ 933,448
BEGINNING FUND BALANCE	<u>7,252,459</u>	<u>7,353,152</u>	<u>6,419,704</u>
ENDING FUND BALANCE	<u>\$ 7,322,303</u>	<u>\$ 7,252,459</u>	<u>\$ 7,353,152</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 1,621,302	\$ 1,510,565	36.6 %	36.4 %	35.0 %	33.9 %	33.5 %
1,242,085	1,165,792	23.2	25.7	26.3	26.0	25.8
1,108,874	1,051,536	21.2	21.9	22.7	23.2	23.4
331,564	312,240	6.2	6.6	7.0	6.9	6.9
307,281	308,296	4.8	5.4	5.3	6.4	6.9
31,129	29,252	0.5	0.5	0.6	0.7	0.7
11,121	11,332	0.5	0.4	0.2	0.2	0.3
78,799	71,455	1.3	1.6	1.5	1.6	1.6
		0.7		0.4		
52,152	39,254	5.0	1.5	1.0	1.1	0.9
<u>\$ 4,784,307</u>	<u>\$ 4,499,722</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 283,509	\$ 265,700	8.0 %	7.8 %	6.9 %	5.9 %	5.9 %
103,095	74,478	2.2	2.6	1.1	2.2	1.7
1,063,428	1,016,268	22.0	21.5	21.3	22.2	22.6
302,249	331,796	6.0	6.7	6.2	6.3	7.4
344,704	336,361	6.3	6.6	7.2	7.2	7.5
340,576	310,755	6.2	6.4	7.1	7.1	6.9
436,680	350,398	13.4	14.7	13.4	9.1	7.8
210,854	212,770	6.5	2.0	2.6	4.4	4.7
236,551	199,384	4.7	4.8	4.4	4.9	4.5
418,836	339,491	13.4	36.7	20.0	8.8	7.5
<u>\$ 3,740,482</u>	<u>\$ 3,437,401</u>	<u>88.7 %</u>	<u>109.8 %</u>	<u>90.2 %</u>	<u>78.1 %</u>	<u>76.5 %</u>
\$ 1,043,825	\$ 1,062,321	11.3 %	(9.8) %	9.8 %	21.9 %	23.5 %
\$	\$ 99,399					
<u>\$ - 0 -</u>	<u>\$ 99,399</u>					
\$ 1,043,825	\$ 1,161,720					
5,375,879	4,214,159					
<u>\$ 6,419,704</u>	<u>\$ 5,375,879</u>					

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 164,858	\$ 166,502	\$ 184,474
Penalty and Interest	15,439	14,866	8,008
Investment and Miscellaneous Revenues	1,783	1,442	421
TOTAL REVENUES	\$ 182,080	\$ 182,810	\$ 192,903
EXPENDITURES			
Tax Collection Expenditures	\$ 60,607	\$ 60,111	\$ 55,382
Debt Service Principal	100,000	100,000	95,000
Debt Service Interest and Fees	66,575	70,575	74,475
TOTAL EXPENDITURES	\$ 227,182	\$ 230,686	\$ 224,857
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (45,102)	\$ (47,876)	\$ (31,954)
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ 506,324	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 461,222	\$ (47,876)	\$ (31,954)
BEGINNING FUND BALANCE (DEFICIT)	(48,856)	(980)	30,974
ENDING FUND BALANCE (DEFICIT)	\$ 412,366	\$ (48,856)	\$ (980)
TOTAL ACTIVE RETAIL WATER CONNECTIONS	2,562	2,550	2,540
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	2,341	2,337	2,317

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 172,036	\$ 168,147	90.5 %	91.1 %	95.6 %	75.0 %	93.8 %
13,258	10,459	8.5	8.1	4.2	5.8	5.8
43,964	718	1.0	0.8	0.2	19.2	0.4
<u>\$ 229,258</u>	<u>\$ 179,324</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 52,773	\$ 56,157	33.3 %	32.9 %	28.7 %	23.0 %	31.3 %
95,000	90,000	54.9	54.7	49.2	41.4	50.2
78,275	81,975	36.6	38.6	38.6	34.1	45.7
<u>\$ 226,048</u>	<u>\$ 228,132</u>	<u>124.8 %</u>	<u>126.2 %</u>	<u>116.5 %</u>	<u>98.5 %</u>	<u>127.2 %</u>
\$ 3,210	\$ (48,808)	<u>(24.8) %</u>	<u>(26.2) %</u>	<u>(16.5) %</u>	<u>1.5 %</u>	<u>(27.2) %</u>
\$ - 0 -	\$ - 0 -					
\$ 3,210	\$ (48,808)					
27,764	76,572					
<u>\$ 30,974</u>	<u>\$ 27,764</u>					
2,531	2,526					
<u>2,341</u>	<u>2,333</u>					

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2019

District Mailing Address - Mason Creek Utility District
847 Dominion
Katy, TX 77450

District Telephone Number - (281) 578-7272

Board Members:	Term of Office (Elected or Appointed)	Fees of Office for the year ended June 30, 2019	Expense Reimbursements for the year ended June 30, 2019	Title
Len Forsyth	05/18 05/22 (Elected)	\$ 7,200	\$ 1,089	President
James Hamblet III	05/16 05/20 (Elected)	\$ 3,150	\$ -0-	Vice President
Brian C. Connolly	05/16 05/20 (Elected)	\$ 3,750	\$ -0-	Secretary/Treasurer
John H. Cameron	05/16 05/20 (Elected)	\$ 6,750	\$ 2,614	Assistant Secretary/ Assistant Treasurer
Robert J. Wills	05/18 05/22 (Elected)	\$ 2,550	\$ -0-	Director

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

Submission Date of most recent District Registration Form (TWC Sections 36.054 and 49.054): July 31, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2019

<u>Consultants:</u>	<u>Date Hired</u>	<u>Fees for the year ended June 30, 2019</u>	<u>Title</u>
James L. Dougherty	08/1984	\$ 58,883	General Counsel
McCall Gibson Swedlund Barfoot PLLC	07/2013	\$ 17,250	Auditor
Municipal Accounts & Consulting LP	12/2011	\$ 45,120	Bookkeeper
Hal R. Gordon	08/1984	\$ 3,881	Delinquent Tax Attorney
Susan Saccomen	07/2002	\$ 71,463	District Office Manager
Venturi Engineers, LLC	01/2017	\$ 119,835	Engineer
Blitch Associates, Inc.	10/2010	\$ -0-	Financial Advisor
James Parrott Utility Operations, Inc.	07/1981 to 06/2019	\$ 452,017	Operator
Bob Leared Interest	06/1995	\$ 36,932	Tax Collector/ Sales Tax Consultant

See accompanying independent auditor's report.

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTY OF HARRIS }

I, Noel W. Barfoot of the
(Name of Duly Authorized District Representative)
Mason Creek Utility District

(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 16th day of October, 2019, its annual audit report for the fiscal year or period ended June 30, 2019 and that copies of the annual audit report have been filed in the district office, located at

847 Dominion – Katy, TX 77450

(Address of District)

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

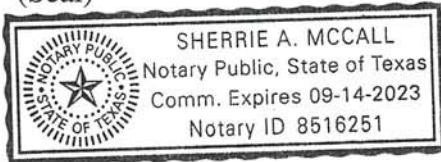
Date: October 31, 2019

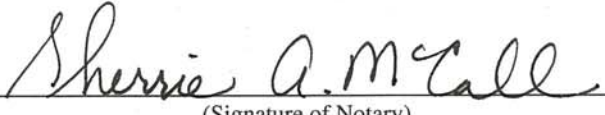
By: 
(Signature of District Representative)

Noel W. Barfoot, Auditor
(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this the 31st day of October, 2019.

(Seal)




(Signature of Notary)

My Commission Expires On: September 14, 2023.
Notary Public in the State of Texas.

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

<u><i>Period Ending</i></u>	<u><i>Compound Interest Bonds</i></u> <u><i>August 1, 2022</i></u>
Oct. 6, 2020	\$4,924.30
Feb. 1, 2021	4,937.51
Aug. 1, 2021	4,958.25
Feb. 1, 2022	4,979.08
Aug. 1, 2022	5,000.00

APPENDIX C—Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND
INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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