

**OFFICIAL STATEMENT DATED OCTOBER 20, 2020**

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF THE DISTRICT AND, IN THE OPINION OF SPECIAL TAX COUNSEL, UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE THEREOF, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX SUBJECT TO THE MATTERS DESCRIBED UNDER “LEGAL MATTERS – TAX EXEMPTION” HEREIN.

*THE BONDS HAVE BEEN DESIGNATED “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS.*

*NEW ISSUE – Book Entry Only*

Insured Ratings (AGM): S&P “AA” (stable outlook)  
Moody’s “A2” (stable outlook)  
Underlying Rating: Moody’s “Baa1”  
See “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE” herein.

**\$2,525,000**  
**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11**  
*(A political subdivision of the State of Texas located within Harris County)*  
**WATERWORKS AND SEWER SYSTEM COMBINATION**  
**UNLIMITED TAX AND REVENUE REFUNDING BONDS**  
**SERIES 2020**

The bonds described above (the “Bonds”) are obligations solely of Harris County Municipal Utility District No. 11 (the “District”) and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District.

**Interest Accrues:**

**Current Interest Bonds — December 1, 2020**

**Premium Compound Interest Bonds — Date of Delivery**

**Due: March 1, as shown on inside cover**

The Bonds consist of Current Interest Bonds and Premium Compound Interest Bonds (collectively the “Bonds”) as shown on the inside cover, and will be issued in fully registered form only. The Current Interest Bonds will be issued in denominations of \$5,000 each or integral multiples thereof. Principal of the Current Interest Bonds will be payable at stated maturity or redemption. Interest on the Current Interest Bonds accrues from December 1, 2020, and is payable on March 1, 2021, and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Current Interest Bonds are subject to redemption prior to maturity as shown on the inside cover. The Premium Compound Interest Bonds will be issued in the denominations of \$5,000 maturity amounts, or integral multiples thereof, including both principal and interest. Interest on the Premium Compound Interest Bonds will accrue from the date of delivery and will be compounded semiannually on March 1 and September 1 of each year commencing on March 1, 2021. Compounded interest and principal on the Premium Compound Interest Bonds will be paid only at maturity. See “APPENDIX C—Accreted Values of Premium Compound Interest Bonds” for the accreted value thereof on the compounding date and at maturity. Interest on the Bonds accrues on the basis of a 360 day year comprised of twelve 30 day months.

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



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. See “MUNICIPAL BOND INSURANCE” herein.

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See MATURITY SCHEDULE on the inside cover

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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 in the District and are further payable from and secured by a pledge of and lien on certain Net Revenues (as defined in the Bond Resolution), if any, of the District’s waterworks and sewer system. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. Bond purchasers are encouraged to read this OFFICIAL STATEMENT prior to making an investment decision. The proceeds of the Bonds will be applied to refund certain outstanding bonds of the District and to pay certain costs in connection with the issuance of the Bonds in order to achieve gross and net present value savings. See “PLAN OF FINANCING.”

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the Underwriters, subject among other things to the approval of the Attorney General of Texas; Coats, Rose P.C., Houston, Texas, Bond Counsel; and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., Houston, Texas. Delivery of the Bonds is expected on or about December 3, 2020.

**SAMCO CAPITAL**

## MATURITY SCHEDULE

### \$2,505,000 Current Interest Bonds

Principal Amount	Maturity (March 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(a)
\$ 55,000	2025	414208 LT3	3.000 %	0.99 %
70,000	2026	414208 LE6	3.000	1.14
70,000	2027 (c)	414208 LF3	2.000	1.30
***	***	***	***	***
610,000	2036 (c)	414208 LQ9	2.125	2.30
595,000	2037 (c)	414208 LR7	2.125	2.34

\$210,000 Term Bonds due March 1, 2030 (c), 414208 LJ5 (b), 2.000% Interest Rate, 1.80% Yield (a)  
 \$200,000 Term Bonds due March 1, 2033 (c), 414208 LM8 (b), 2.000% Interest Rate, 2.10% Yield (a)  
 \$695,000 Term Bonds due March 1, 2035 (c), 414208 LP1 (b), 2.000% Interest Rate, 2.23% Yield (a)

### \$20,000 Premium Compound Interest Bonds

Maturity (March 1)	Original Principal Amount	Offering Price Per \$5,000 Maturity Amount	Initial Reoffering Yield (a)	Total Payment at Maturity	CUSIP Number (b)
2022	\$ 5,000	\$ 4,947.50	0.85 %	\$ 80,000	414208 LB2
2023	5,000	4,899.10	0.91	75,000	414208 LC0
2024	5,000	4,832.95	1.05	75,000	414208 LD8
2025	5,000	4,744.40	1.24	20,000	414208 LS5

- (a) Initial yield represents the initial offering yield to the public which has been established by the Underwriter (as herein defined) for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from December 1, 2020 to the date fixed for delivery is to be added to the price.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (c) The Current Interest Bonds maturing on or after March 1, 2027, are subject to redemption prior to maturity at the option of the District, in whole or from time-to-time in part, on March 1, 2026, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent Interest Payment Date to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. The Premium Compound Interest Bonds are not subject to redemption prior to maturity. See "THE BONDS—Redemption Provisions."

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### USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, 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 Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas, 77046 upon payment of the costs of duplication therefor.

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

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

## SALE AND DISTRIBUTION OF THE BONDS

### **The Underwriter**

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$2,683,716.18 (representing the principal amount of the Bonds of \$2,525,000.00, plus a premium on the Premium Compound Interest Bonds of \$224,118.35, less a net discount on the Current Interest Bonds of \$36,725.15, less an Underwriter’s discount of \$28,677.02), plus accrued interest on the Current Interest Bonds to the date of delivery. The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING.”

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

### **Prices and Marketability**

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

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

### **Securities Laws**

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

## OFFICIAL STATEMENT SUMMARY

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

### INFECTIOUS DISEASE OUTLOOK (COVID-19)

#### *General...*

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

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

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

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition or its ratings. 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.

### HURRICANE HARVEY

#### *General...*

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

#### *Impact on the District...*

According to the Water District Management Co., Inc. (the “Operator”) and A&S Engineers, Inc. (the “Engineer”), the District’s water and sewer system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, the District did not receive any reports of homes or businesses within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

## THE DISTRICT

<i>Description...</i>	The District is a limited-purpose political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 382 acres of land. See "THE DISTRICT."
<i>Location...</i>	The District is located in Harris County, approximately 10 miles north of downtown Houston. Primary access to the District from the City of Houston (the "City") is by Interstate 45 north to the Sam Houston Tollway (Beltway 8), west on Beltway 8 frontage road, approximately three miles to Veterans Memorial Drive. The District lies entirely within the extraterritorial jurisdiction of the City of Houston and the boundaries of Aldine Independent School District. See "THE DISTRICT" herein.
<i>Status of Development...</i>	<p>Approximately 203 acres of land in the District have been developed for residential purposes. Residential development includes water, sanitary sewer and drainage service to 679 single-family lots located in Woodgate Subdivision, Sections 1 through 3 and 487 single-family lots located in Maple Ridge Place, Sections 1 through 6. Home values in Maple Ridge Place range in value from approximately \$140,000 to \$180,000. The average value of homes on the 2020 tax rolls of the District in the Woodgate Subdivision is approximately \$110,000. As of October 1, 2020, the District contained 1,166 single-family homes.</p> <p>In addition, the District has water, sanitary sewer and drainage facilities available to serve approximately 40 acres served with trunk utilities for existing and future commercial development. Commercial and non-residential development in the District consists of two churches, three gas stations, a Jack-in-the-Box restaurant, a Family Dollar Store, a pawn shop, two funeral homes, an auto parts store, a strip shopping center with eleven tenants, and various other commercial entities. In addition, Crescent Directional Drilling, LP has an approximately 40,500 square foot industrial warehouse and storage facility located within the District. The churches are not subject to taxation by the District.</p> <p>Approximately 30 developable acres of land in the District are not presently provided with internal water, sewer and drainage facilities and approximately 108 acres are in street right-of-way, drainage easements and plant sites. See "THE DISTRICT—Status of Development."</p>
<i>Payment Record...</i>	The District has previously issued ten series of waterworks and sewer system combination unlimited tax and revenue bonds totaling \$23,185,000 principal amount and three series of waterworks and sewer system combination unlimited tax and revenue refunding bonds totaling \$8,815,000 principal amount. The District has a total of \$14,820,000 principal amount of bonds outstanding as of October 1, 2020 (the "Outstanding Bonds"). The District has never defaulted on its debt service obligations. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

## THE BONDS

- Description...* The \$2,525,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2020 (the “Bonds”) are being issued as fully registered bonds pursuant to a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the District’s Board of Directors (the “Board”). The Current Interest Bonds will be issued as fully registered bonds in the aggregate principal amount of \$2,505,000. Interest on the Current Interest Bonds accrues from December 1, 2020, and is payable on March 1, 2021, and on each September 1 and March 1 thereafter until the earlier of maturity or prior redemption. The Premium Compound Interest Bonds will be issued as fully registered bonds in the aggregate principal amount of \$20,000 in denominations which result in total amounts due at maturity equal to \$5,000 or integral multiples thereof (including both accreted principal and compounded interest). Interest on the Premium Compound Interest Bonds accrues from the date of delivery and is compounded on March 1 and September 1 of each year until maturity, commencing March 1, 2021. The Bonds mature on March 1 in each of the years and in the amounts shown on the inside cover hereof. See “THE BONDS” and “APPENDIX C—Accreted Values of Premium Compound Interest Bonds.”
- Book-Entry-Only...* The Depository Trust Company (defined as “DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK- ENTRY- ONLY SYSTEM.”
- Redemption...* The Current Interest Bonds maturing on or after March 1, 2027 are subject to redemption at the option of the District prior to maturity, in whole or from time to time in part, on March 1, 2026, or on any date thereafter at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. The Premium Compound Interest Bonds are not subject to redemption prior to maturity. See “THE BONDS—Redemption Provisions.”
- Use of Proceeds...* Proceeds from the sale of the Bonds, and lawfully available debt service funds of the District, will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund \$2,525,000 of the Outstanding Bonds in order to achieve net savings in the District’s annual debt service expense. The bonds to be refunded and discharged with Bond proceeds are referred to herein as the “Refunded Bonds.” After the issuance of the Bonds, \$12,295,000 principal amount of the Outstanding Bonds will remain outstanding (the “Remaining Outstanding Bonds”). See “PLAN OF FINANCING” and “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”
- Source of Payment...* The Bonds are payable from an annual ad valorem tax upon all taxable property within the District, which, under Texas law, is not limited as to rate or amount (see “TAXING PROCEDURES”) and are further payable from and secured by a pledge of and lien on certain Net Revenues (as defined in the Bond Resolution), if any, of the District’s waterworks and sewer system (the “System”), to the extent and upon the conditions described herein. The System is not expected to produce sufficient Net Revenues to make any contribution to future debt service payments. The Net Revenues are entirely dependent on income derived from the sale of water and sewer services to residents of the District and users of the System. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any other political subdivision or agency. See “THE BONDS—Source of and Security for Payment.”

*Municipal Bond Rating  
and Municipal Bond  
Insurance...*

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) and Moody’s Investors Service, Inc. (“Moody’s”) have assigned municipal bond ratings of “AA” (stable outlook) and “A2” (stable outlook), respectively, to this issue of Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by ASSURED GUARANTY MUNICIPAL CORP. (“AGM” or the “Insurer”). Moody’s has also assigned an underlying rating of “Baa1” to the Bonds. An explanation of the ratings may be obtained from S&P and Moody’s. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

*Qualified Tax-Exempt  
Obligations...*

The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

*Bond Counsel...*

Coats Rose, P.C., Houston, Texas. See “MANAGEMENT OF THE DISTRICT” and “LEGAL MATTERS” and “TAX MATTERS.”

*Financial Advisor...*

Masterson Advisors LLC, Houston, Texas.

*Underwriter’s Counsel...*

McCall, Parkhurst & Horton L.L.P., Houston, Texas.

*Special Tax Counsel...*

McCall, Parkhurst & Horton L.L.P., Dallas, Texas. See “TAX MATTERS.”

*Paying Agent/Registrar...*

The Bank of New York Mellon Trust Co., N.A., Houston, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”

*Escrow Agent...*

The Bank of New York Mellon Trust Co., N.A., Dallas, Texas. See “PLAN OF FINANCING—Escrow Agreement and Defeasance of Refunded Bonds.”

*Verification Agent...*

Public Finance Partners LLC, Rockford, Minnesota. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

## **INVESTMENT CONSIDERATIONS**

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



**SELECTED FINANCIAL INFORMATION (UNAUDITED)**

2020 Taxable Assessed Valuation.....	\$195,946,613 (a)
Gross Direct Debt Outstanding .....	\$14,820,000 (b)
Estimated Overlapping Debt .....	<u>8,840,861 (c)</u>
Gross Direct Debt Outstanding and Estimated Overlapping Debt .....	\$23,660,861
Ratio of Gross Direct Debt to:	
2020 Taxable Assessed Valuation.....	7.56%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:	
2020 Taxable Assessed Valuation.....	12.08%
Funds Available for Debt Service as of September 21, 2020.....	\$1,004,461 (d)
Funds Available in the General Operating Fund as of September 21, 2020.....	\$3,831,462
Funds Available in the Capital Projects Fund as of September 21, 2020.....	\$1,635,615
2020 Debt Service Tax Rate.....	\$0.485
2020 Maintenance Tax Rate.....	<u>0.240</u>
2020 Total Tax Rate .....	\$0.725
Maximum Annual Debt Service Requirement (2038).....	\$1,010,906 (e)
Average Annual Debt Service Requirement (2021-2043).....	\$941,896 (e)
Tax Rate Required to Pay Maximum Annual Debt Service (2038)	
based upon the 2020 Taxable Assessed Valuation at a 95% Collection Rate .....	\$0.55 (e)
Tax Rates Required to Pay Average Annual Debt Service Requirement (2021-2043)	
based upon the 2020 Taxable Assessed Valuation at a 95% Collection Rate .....	\$0.51 (e)
Status of water and sewer connections as of October 1, 2020:	
Active single-family connections.....	1,150
Inactive single-family connections .....	16
Commercial connections.....	31
Other connections .....	12
Estimated Population .....	4,025 (f)

- (a) The Harris County Appraisal District (the "Appraisal District") has certified \$171,190,244 of taxable and an additional \$24,756,369 of taxable value remains uncertified subject to review and downward adjustment. The 2020 Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT is the certified value plus the uncertified value. See "TAXING PROCEDURES."
- (b) After the issuance of the Bonds; excludes the Refunded Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
- (d) The District will apply \$42,000 of debt service funds towards the issuance of the Bonds.
- (e) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."
- (f) Based on 3.5 persons per occupied single-family residence.

## OFFICIAL STATEMENT

**\$2,525,000**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11**  
*(A political subdivision of the State of Texas located within Harris County)*  
**WATERWORKS AND SEWER SYSTEM COMBINATION**  
**UNLIMITED TAX AND REVENUE REFUNDING BONDS**  
**SERIES 2020**

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Harris County Municipal Utility District No. 11 (the “District”) of its \$2,525,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2020 (the “Bonds”).

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

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Coats Rose, P.C. (“Bond Counsel”), 9 Greenway Plaza, Suite 1000, Houston, Texas 77046 upon payment of the costs of duplication therefore.

### PLAN OF FINANCING

#### **Purpose**

The proceeds of the Bonds and lawfully available debt service funds of the District, will be used to currently refund and defease a portion of the District’s Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2013 totaling \$2,525,000 (the “Refunded Bonds”) in order to achieve a net savings in the District’s debt service expense. The proceeds will also be used to pay the costs of issuing the Bonds. See “Sources and Uses of Funds” in this section. A total of \$12,295,000 in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the “Remaining Outstanding Bonds”).

**Refunded Bonds**

Proceeds of the Bonds, and lawfully available debt service funds of the District, will be applied to currently refund the Refunded Bonds in the principal amounts and with maturity dates set forth below and to pay certain costs of issuing the Bonds.

<u>Maturity Date</u> <u>March 1</u>	<u>Series</u> <u>2013</u>
2022	\$ 50,000
2023	50,000
2024	50,000
2025	50,000
2026	50,000
2027	50,000
2028	50,000
2029	50,000
2030	50,000
2031	50,000
2032	50,000
2033	50,000
2034	50,000
2035	625,000
2036	625,000
2037	625,000
	<hr/>
	\$ 2,525,000
Redemption Date:	March 1, 2021

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

**Escrow Agreement and Defeasance of Refunded Bonds**

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

The Bond Resolution provides that the District and the Escrow Agent will enter into an escrow agreement (the “Escrow Agreement”) to provide for the discharge and defeasance of the Refunded Bonds. The Bond Resolution further provides that from the proceeds of the sale of the Bonds and lawfully available debt service funds of the District, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the “Escrow Fund”) and used to purchase United States Treasury Obligations or other investments authorized by Chapter 1207, Texas Government Code (the “Escrowed Securities”). At the time of delivery of the Bonds, Public Finance Partners LLC will verify to the District, the Escrow Agent and the Underwriter that the Escrowed Securities are sufficient in principal amount and are scheduled to mature at such times and to yield interest in such amounts, together with uninvested funds, if any, in the Escrow Fund, to pay, when due, the principal of and interest on the Refunded Bonds. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.” Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds. By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolution of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of amounts so deposited, and the amounts so deposited and invested in the Escrow Fund will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

**Sources and Uses of Funds**

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, and lawfully available debt service funds, will be applied as follows:

**Sources of Funds:**

Principal Amount of the Bonds.....	\$2,525,000.00
Net Discount on the Current Interest Bonds .....	(36,725.15)
Premium on the Premium Compound Interest Bonds.....	224,118.35
Transfer from Debt Service Fund .....	<u>42,000.00</u>
Total Sources of Funds .....	\$2,754,393.20

**Uses of Funds:**

Deposit to Escrow Fund.....	\$2,586,751.08
Issuance Expenses and Underwriters' Discount (a).....	<u>167,642.12</u>
Total Uses of Funds.....	\$2,754,393.20

(a) Includes municipal bond insurance premium.

**THE BONDS**

**General**

The Bonds will be dated December 1, 2020, and consist of Current Interest Bonds and Premium Compound Interest Bonds as shown on the inside cover hereof. Principal of the Current Interest Bonds is payable at the respective maturities thereof at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas (the "Paying Agent/Registrar", "Paying Agent", or "Registrar"). Interest on the Current Interest Bonds accrues from December 1, 2020, and is payable on each March 1 and September 1 thereafter (each an "Interest Payment Date"), commencing March 1, 2021, until the earlier of maturity or prior redemption. Interest on the Premium Compound Interest Bonds will accrue from the date of initial delivery and will be compounded on March 1 and September 1 of each year until maturity, commencing March 1, 2021. Compounded interest and principal on the Premium Compound Interest Bonds will be paid only at maturity. The Premium Compound Interest Bonds will be issued in principal amounts that will mature in \$5,000 denominations or integral multiples thereof, including both principal and interest. See "APPENDIX C—Accreted Values of Premium Compound Interest Bonds" for the accreted value thereof on the compounding date and at maturity. The Current Interest Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds mature on March 1 in the amounts and years shown on the inside cover page of this Official Statement. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC") in its nominee name of Cede & Co., pursuant to the book-entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "—Book-Entry-Only System" herein. Interest calculations are based on a 360- day year comprised of twelve (12) thirty (30) day months.

**Method of Payment of Principal and Interest**

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

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

### **Authority for Issuance**

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution; 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; City of Houston Ordinance No. 97-416, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

### **Source of and Security for Payment**

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Resolution to levy a continuing, direct, annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection.

The Bonds are further payable from and secured by a pledge of and lien on certain Net Revenues, if any, of the District's water and sewer system (the "System"). Net Revenues are defined by the Bond Resolution as all income that is derived from the ownership and operation of the District's System as the same is purchased, constructed or otherwise acquired, which remains after deducting the operation and maintenance expenses of the System, but not including income derived from contracts that are pledged for payment of any special project bonds that may be issued. It is not expected that the Net Revenues will ever be sufficient to contribute to debt service payments. The Net Revenues are entirely derived from the sale of water and sewer services to residents of the District and users of the System.

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

### **Record Date**

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

### **Funds**

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

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. Any monies remaining after the refunding of the Refunded Bonds and payment of issuance costs will be deposited into the Debt Service Fund.

### **No Arbitrage**

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

## **Redemption Provisions**

***Mandatory Redemption:*** The Current Interest Bonds maturing on March 1 in the years 2030, 2033, and 2035 (the “Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on March 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below). The Premium Compound Interest Bonds are not subject to redemption prior to maturity.

<b>\$210,000 Term Bonds Due March 1, 2030</b>		<b>\$200,000 Term Bonds Due March 1, 2033</b>		<b>\$695,000 Term Bonds Due March 1, 2035</b>	
<b>Mandatory Redemption Date</b>	<b>Principal Amount</b>	<b>Mandatory Redemption Date</b>	<b>Principal Amount</b>	<b>Mandatory Redemption Date</b>	<b>Principal Amount</b>
2028	\$ 70,000	2031	\$ 70,000	2034	\$ 65,000
2029	70,000	2032	65,000	2035 (maturity)	630,000
2030 (maturity)	70,000	2033 (maturity)	65,000		

Notice of the mandatory redemption of Term Bonds will be provided at least thirty (30) calendar days prior to the date fixed for redemption, with the particular portions of the Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC so long as the Bonds are registered in accordance with the Book-Entry-Only System. See “BOOK-ENTRY-ONLY SYSTEM.”

***Optional Redemption:*** The District reserves the right, at its option, to redeem the Current Interest Bonds maturing on or after March 1, 2027, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on March 1, 2026, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Current Interest Bonds are redeemed at any time, the particular maturities of Current Interest Bonds to be redeemed shall be selected by the District. If less than all the Current Interest Bonds of any maturity are redeemed at any time, the particular Current Interest Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

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

## **Registration and Transfer**

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

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

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

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the forty-five (45) day period prior to the date fixed for redemption of such Bond.

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

### **Method of Payment of Principal and Interest**

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

### **Replacement of Paying Agent/Registrar**

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

### **Issuance of Additional Debt**

The District may issue additional bonds necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. After issuance of the Bonds, the District will have \$2,863 principal amount of waterworks and sewer system combination unlimited tax and revenue bonds authorized but unissued for water, sanitary sewer and drainage facilities and for refunding existing bonds. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "INVESTMENT CONSIDERATIONS—Future Debt."

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) authorization of park bonds by the qualified voters in the District; (b) approval of the park project and bonds by the TCEQ; and (c) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The District has not considered authorizing preparation of a park plan nor calling a park bond election at this time.

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

After approval by the District's voters, the City of Houston and the TCEQ, the District also has the power to issue unlimited tax bonds for the purpose of providing fire-fighting facilities. The District has not considered calling an election to authorize bonds for fire-fighting facilities at this time.

The District has called an election on November 3, 2020 for the purpose of voters to consider authorizing \$38,317,000 principal amount of unlimited tax bonds for the purpose or purposes of purchasing, constructing, acquiring, owning, operating, repairing, improving, or extending a waterworks system, sanitary sewer system, and drainage and storm sewer system. The District can make no representation as to whether the election will pass or fail at this time. See “INVESTMENT CONSIDERATIONS—Future Debt.”

### **Annexation by the City of Houston**

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

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

### **Strategic Partnership**

The District entered into a Strategic Partnership Agreement (“SPA”) effective July 11, 2006 (and amended and restated effective December 13, 2010) with the City whereby the tract of land containing commercial development was annexed into the City for the limited purpose of applying certain of the City’s Planning, Zoning, Health and Safety Ordinances to the commercial business and to impose a sales tax. The City imposes a Sales and Use Tax within the annexed tract on the receipts from the sale and use at retail of taxable items at the rate of one percent (1%) or such other rate as may be imposed by the City from time to time. Under the SPA, one-half (1/2) or fifty percent (50%) of the sales tax revenue generated by the commercial business is paid to the District, and the District can use the sales tax revenue to (1) accelerate the development of water, wastewater, and drainage systems in the District; (2) accelerate reimbursement to developers for eligible infrastructure development; (3) lower the overall property tax rate to encourage additional development; and (4) perform other District functions that might otherwise be diminished, curtailed, abbreviated, or delayed by financial limitations.

The Sales and Use Tax was implemented within the annexed area on July 11, 2006. The Comptroller of Public Accounts of the State of Texas remits the sales revenues to the City and the City then disburses to the District its share of the tax revenues.

Neither the District nor any owners of taxable property in the District are 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.

Under the SPA, the City has agreed that it will not annex all or part of the District for “full” purposes (a traditional municipal annexation) for a period of thirty (30) years or through July 11, 2036.

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.

### **Consolidation**

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation and the District currently is not contemplating consolidation.



## **Remedies in Event of Default**

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

## **Legal Investment and Eligibility to Secure Public Funds in Texas**

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

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

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

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

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

## **Defeasance**

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

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

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

## **BOOK-ENTRY-ONLY SYSTEM**

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

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

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

others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating of “AA+” by S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

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

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

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

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

The 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.

## THE DISTRICT

### **General**

The District is a limited-purpose political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created on March 15, 1972. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; the control and diversion of storm water; and the construction of roads inside the boundaries of the District, among other things. The District may also provide solid waste collection and disposal service and purchase and operate park and recreational facilities. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department. The District is subject to the continuing supervision of the TCEQ and is located exclusively within the extraterritorial jurisdiction of the City of Houston.

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

### **Description and Location**

The District is a political subdivision of the State of Texas located approximately 10 miles north of downtown Houston. Primary access to the District from the City of Houston is by Interstate 45 north to the Sam Houston Tollway (Beltway 8), west on Beltway 8 frontage road, approximately three miles to Veterans Memorial Drive. The District contains approximately 382 acres of land and lies entirely within the extraterritorial jurisdiction of the City and the boundaries of Aldine Independent School District.

### **Status of Development**

Approximately 203 acres of land in the District have been developed for residential purposes. Residential development includes water, sanitary sewer and drainage service to 679 single-family lots located in Woodgate Subdivision, Sections 1 through 3 and 487 single-family lots located in Maple Ridge Place, Sections 1 through 6. Home values in Maple Ridge Place range in value from approximately \$140,000 to \$180,000. The average value of homes on the 2020 tax rolls of the District in the Woodgate Subdivision is approximately \$110,000. As of October 1, 2020, the District contained 1,166 single-family homes.

In addition, the District provides water, sanitary sewer and drainage facilities to serve approximately 40 acres served with trunk utilities for existing and future commercial development. Commercial and non-residential development in the District consists of two churches, three gas stations, a Jack-in-the-Box restaurant, a Family Dollar Store, a pawn shop, two funeral homes, an auto parts store, a strip shopping center with eleven tenants, and various other commercial entities. In addition, Crescent Directional Drilling, LP has an approximately 40,500 square foot industrial warehouse and storage facility located within the District. The churches are not subject to taxation by the District. See "TAX DATA—Principal Taxpayers."

Approximately 30 developable acres of land in the District are not presently provided with internal water, sewer and drainage facilities and approximately 108 acres are in street right-of-way, drainage easements and plant sites.

### **Community Facilities**

Many community services and facilities are located in the general geographic area of the District. Fire protection is provided by the Northwest Volunteer Fire Department. The area along Veterans Memorial Drive has been developed into numerous retail shopping centers and service establishments. The District is located within the boundaries of Aldine Independent School District.

## MANAGEMENT OF THE DISTRICT

### **Board of Directors**

The District is governed by the Board consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms and elections are held on the first Saturday of May of odd numbered years. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
Kenneth D. Vasina	President	May 2021
Cynthia Ratcliff	Vice President	May 2023
Stella L. Morris	Secretary/Treasurer	May 2023
Marvin L. Zahradnik	Assistant Secretary/Treasurer	May 2021
Johnnie Emberton	Assistant Vice President & Assistant Secretary	May 2021

### **District Consultants**

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

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

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

*Auditor:* The District's financial statements for the year ended December 31, 2019, were audited by Mark C. Eyring, CPA, PLLC. See "APPENDIX A" for a copy of the District's December 31, 2019 financial statements.

*Engineer:* The District's consulting engineer is A&S Engineers, Inc.

*Tax Appraisal and Collections:* The Harris County Appraisal District has the responsibility of appraising all property within the District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District. Bob Leared Interests is currently serving in this capacity for the District. See "TAXING PROCEDURES."

*Bookkeeper:* The District has contracted with Claudia Redden & Associates, L.L.C. (the "Bookkeeper") for bookkeeping services.

*Operator:* The operation and maintenance of the District's water and wastewater systems are overseen by Water District Management Co., Inc.

## THE SYSTEM

### **Regulation**

According to the Engineer, the District's water supply and distribution, wastewater collection, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. Operation of the System must be accomplished in accordance with the standards and requirements of such entities. The TCEQ exercises continuing supervisory authority over the District. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District, the City, Harris County and, in some instances, the TCEQ. Harris County and the City also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance.

### **Water Supply**

The District is served by two water wells with capacity of 1,690 gallons per minute ("gpm") well, one ground storage tank with capacity of 500,000 gallons, 30,000 gallons of pressure tank capacity, booster pumps totaling 3,700 gpm capacity, and related appurtenant equipment. According to the Engineer, the District's water supply facilities are adequate to serve approximately 1,850 single family equivalent connections. The District presently provides service to approximately 1,339 equivalent single-family connections. The District has emergency water interconnect agreements with Fallbrook Utility District, Forest Hills Municipal Utility District and Harris County Municipal Utility District No. 33.

The District's second water well (956 gpm design capacity) was constructed in the year 2000. Shortly after being placed into service, the well began producing arsenic at levels above acceptable standards. Proceeds from the Outstanding Bonds were used to construct an Arsenic Remediation System for the second water well in order to meet the acceptable levels. The well was placed back into service in July 2009. See "Subsidence and Conversion to Surface Water Supply" below.

### **Wastewater Treatment**

Wastewater treatment is provided by the District's 500,000 gallons per day ("gpd") wastewater treatment plant. According to the Engineer, the District's plant can serve approximately 1,667 single family equivalent connections. The Engineer estimates, under current costs and present regulatory criteria, that the plant owned by the District should be sufficient to serve the District at full development and build-out, based on present land use assumptions.

### **Subsidence and Conversion to Surface Water Supply**

The District is within the boundaries of the Harris Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. On April 14, 1999 the Subsidence District adopted a District Regulatory Plan (the "1999 Plan"), to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction, which plan was modified in January 2013. Under the 1999 Plan, as modified, the District must either individually or be part of a group which receives approval from the Subsidence District by January 2003 of a groundwater reduction plan and begins construction of surface water conversion infrastructure by January 2005 or pay a disincentive fee. Additional disincentive fees will be imposed under the 1999 Plan if the applicant's groundwater withdrawal exceeds 70% of the applicant's total water demand beginning in 2010, exceeds 30% of the applicant's total water demand beginning 2020, and exceeds 20% of the applicant's total water demand beginning in 2030. On January 9, 2013, the Subsidence District adopted a 2013 Regulatory Plan which delayed the surface water conversion amount and date from the current 70% groundwater reduction in 2020 to a 60% groundwater reduction requirement in 2025. The current disincentive fee is \$9.24 per 1,000 gallons of water.

Pursuant to a contract between the District and the City, the District is included in the Groundwater Reduction Plan ("GRP") prepared by the City. As a participant in the City's GRP, the District has complied with all Subsidence District requirements in regard to the conversion of surface water, but is obligated to pay the City a groundwater withdrawal fee for all groundwater produced and used by the District and a water purchase fee for any water actually purchased from the City by the District in the future.

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 should the City require the District to convert to surface water and connect to the City's water supply system.

## **100-Year Flood Plain**

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. The District’s drainage system has been designed and constructed to all current standards. The District lies within the Greens Bayou Watershed as defined by the Harris County Flood Control District. Approximately 371 of the 487 lots in Sections 1 through 6 of the Maple Ridge Place Subdivision were within the limits of the 100-year flood plain for Greens Bayou. These lots were removed from the flood plain by Letter of Map Revisions. All of the homes in the Maple Ridge Place Subdivision were constructed on slabs elevated above the 100-year flood plain. Most of the homes in the Woodgate Subdivision are in the 100-year flood plain. None of the slabs of the homes in the Woodgate Subdivision were elevated above the 100-year flood plain. In June 2001, a significant number of homes in the Woodgate Subdivision sustained water damage during Tropical Storm Allison. In response to such flooding, the District constructed secondary storm sewer lines in Woodgate Subdivision and additional drainage facilities in the Maple Ridge Place Subdivision. See “INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey.”

## WATER AND SEWER OPERATIONS

### General

The Bonds and the Remaining Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District and are further payable from and secured by a pledge of and lien on Net Revenues of the District's waterworks and sanitary sewer system. It is not anticipated that any Net Revenues will be available for debt service on the Bonds and the Remaining Outstanding Bonds in the foreseeable future.

### Water and Sewer Operations

The following statement sets forth in condensed form the historical results of operation of the District's water and sewer system. Accounting principles customarily employed in the determination of net revenues for coverage of debt service have been observed and in all instances exclude depreciation. This summary has been prepared for inclusion herein based upon information obtained from the District's audited financial statements for fiscal years ended December 31, 2016 through December 31, 2019 and from the District's bookkeeper for the period ended as of August 31, 2020. Reference is made to "APPENDIX A" for further and complete information.

	1/1/2020 to 8/31/2020 (Unaudited)	(a)	Fiscal Year Ended			
			12/31/2019	12/31/2018	12/31/2017	12/31/2016
<b>Revenues:</b>						
Property Taxes	\$ 411,878		\$ 463,199	\$ 458,054	\$ 371,368	\$ 311,441
Water and Wastewater Service	577,469		850,574	852,074	838,031	844,135
Surface Water Fee	70,835		100,739	100,517	101,902	94,256
Penalty and Interest	5873		26,256	19,813	26,010	27,161
Tap Connection & Inspection Fees	313		20,154	-	-	120,352
Sales and Use Taxes	25,113		55,146	58,156	49,297	54,160
Interest on Deposits and Investments	17,589		83,600	64,503	27,664	10,763
Other Revenues	20,966		32,001	21,430	33,090	22,517
<b>Total Revenue</b>	<b>\$ 1,130,036</b>		<b>\$ 1,631,669</b>	<b>\$ 1,574,547</b>	<b>\$ 1,447,362</b>	<b>\$ 1,484,785</b>
<b>Expenditures:</b>						
Professional Fees	\$ 136,677		\$ 225,982	\$ 193,490	\$ 193,915	\$ 198,890
Contracted Services	64,455		108,053	89,479	89,454	91,095
Utilities	44,353		89,498	112,296	97,304	121,415
Groundwater Pumpage Fees	65,033		55,369	75,935	63,916	95,793
Repairs and Maintenance	312,510		548,570	242,708	233,205	425,637
Other Operating Expenditures	30,773		167,406	128,651	132,430	140,571
Security Service	59,893		69,220	68,832	67,152	67,149
Administrative Expenditures	82,838		123,942	115,503	112,878	117,452
Capital Outlay	-		267,340	125,836	276,560	124,208
<b>Total Expenditures</b>	<b>\$ 796,532</b>		<b>\$ 1,655,380</b>	<b>\$ 1,152,730</b>	<b>\$ 1,266,814</b>	<b>\$ 1,382,210</b>
<b>NET REVENUES</b>	<b>\$ 333,504</b>		<b>\$ (23,711)</b>	<b>\$ 421,817</b>	<b>\$ 180,548</b>	<b>\$ 102,575</b>
Other Financing Sources	\$ 139,687	(b)	\$ -	\$ -	\$ -	\$ -
<b>General Operating Fund</b>						
Balance (Beginning of Year)	\$ 3,279,956		\$ 3,303,667	\$ 2,881,850	\$ 2,701,302	\$ 2,598,727
<b>General Operating Fund</b>						
Balance (End of Year)	\$ 3,753,147		\$ 3,279,956	\$ 3,303,667	\$ 2,881,850	\$ 2,701,302

(a) Unaudited. Provided by the District's bookkeeper.  
(b) Transfer from Construction Fund.



## FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2020 Taxable Assessed Valuation.....	\$195,946,613	(a)
Gross Direct Debt Outstanding .....	\$14,820,000	(b)
Estimated Overlapping Debt .....	<u>8,840,861</u>	(c)
Gross Direct Debt Outstanding and Estimated Overlapping Debt .....	\$23,660,861	
Ratio of Gross Direct Debt to:		
2020 Taxable Assessed Valuation.....	7.56%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2020 Taxable Assessed Valuation.....	12.08%	
Funds Available for Debt Service as of September 21, 2020.....	\$1,004,461	(d)
Funds Available in the General Operating Fund as of September 21, 2020 .....	\$3,831,462	
Funds Available in the Capital Projects Fund as of September 21, 2020.....	\$1,635,615	

- (a) The Harris County Appraisal District (the "Appraisal District") has certified \$171,190,244 of taxable and an additional \$24,756,369 of taxable value remains uncertified subject to review and downward adjustment. The 2020 Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT is the certified value plus the uncertified value. See "TAXING PROCEDURES."
- (b) After the issuance of the Bonds; excludes the Refunded Bonds. See "Outstanding Bonds" herein.
- (c) See "Estimated Overlapping Debt" herein.
- (d) The District will apply \$42,000 of debt service funds towards the issuance of the Bonds.

### **Investments of the District**

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

### **Outstanding Bonds**

The following table lists the original principal amount of Outstanding Bonds, and the current amount of the Outstanding Bonds, the Refunded Bonds and the Remaining Outstanding Bonds.

Series	Original Principal Amount	Outstanding Bonds (as of 10/1/2020)	Refunded Bonds	Remaining Outstanding Bonds
2013	\$ 2,875,000	\$ 2,575,000	\$ 2,525,000	\$ 50,000
2014 (a)	1,915,000	770,000	-	770,000
2015	3,050,000	2,800,000	-	2,800,000
2016 (a)	5,200,000	4,930,000	-	4,930,000
2019	3,795,000	3,745,000	-	3,745,000
Total	<u>\$ 16,835,000</u>	<u>\$ 14,820,000</u>	<u>\$ 2,525,000</u>	<u>\$ 12,295,000</u>
The Bonds				<u>2,525,000</u>
The Bonds and the Remaining Outstanding Bonds				<u>\$ 14,820,000</u>

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

**Debt Service Requirements**

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$2,525,000 principal amount), plus the Bonds.

Year	Outstanding Debt Service	Less: Debt Service on the Refunded Bonds	Plus: Debt Service on the Bonds			Total Debt Service
			Principal	Interest	Total	
2021	\$ 1,022,095.00	\$ 124,500.00		\$ 39,642.19	\$ 39,642.19	\$ 937,237.19
2022	1,018,653.75	173,375.00	\$ 5,000	127,856.25	132,856.25	978,135.00
2023	1,009,380.00	171,125.00	5,000	122,856.25	127,856.25	966,111.25
2024	1,004,773.75	168,875.00	5,000	122,856.25	127,856.25	963,755.00
2025	1,022,650.00	166,625.00	60,000	67,031.25	127,031.25	983,056.25
2026	1,022,775.00	164,375.00	70,000	50,156.25	120,156.25	978,556.25
2027	1,022,050.00	162,125.00	70,000	48,406.25	118,406.25	978,331.25
2028	1,020,475.00	159,875.00	70,000	47,006.25	117,006.25	977,606.25
2029	1,017,925.00	157,500.00	70,000	45,606.25	115,606.25	976,031.25
2030	1,014,337.50	155,000.00	70,000	44,206.25	114,206.25	973,543.75
2031	1,014,737.50	152,500.00	70,000	42,806.25	112,806.25	975,043.75
2032	1,004,281.25	150,000.00	65,000	41,456.25	106,456.25	960,737.50
2033	1,002,987.50	147,500.00	65,000	40,156.25	105,156.25	960,643.75
2034	1,000,637.50	145,000.00	65,000	38,856.25	103,856.25	959,493.75
2035	1,048,187.50	703,125.00	630,000	31,906.25	661,906.25	1,006,968.75
2036	1,035,656.25	671,875.00	610,000	19,125.00	629,125.00	992,906.25
2037	1,022,093.75	640,625.00	595,000	6,321.88	601,321.88	982,790.63
2038	1,010,906.25	-	-	-	-	1,010,906.25
2039	1,002,125.00	-	-	-	-	1,002,125.00
2040	992,406.25	-	-	-	-	992,406.25
2041	727,343.75	-	-	-	-	727,343.75
2042	702,406.25	-	-	-	-	702,406.25
2043	677,468.75	-	-	-	-	677,468.75
<b>Total</b>	<b>\$ 22,416,352.50</b>	<b>\$ 4,214,000.00</b>	<b>\$ 2,525,000</b>	<b>\$ 936,251.56</b>	<b>\$ 3,461,251.56</b>	<b>\$ 21,663,604.06</b>

Maximum Annual Debt Service Requirement (2038).....\$1,010,906  
Average Annual Debt Service Requirement (2021-2043)..... \$941,896

**Estimated Overlapping Debt**

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Percent</u>	<u>Overlapping Amount</u>
Harris County .....	\$1,867,957,125	08/31/20	0.03%	\$ 560,387
Harris County Department of Education.....	6,320,000	08/31/20	0.03%	1,896
Harris County Hospital District.....	86,050,000	08/31/20	0.03%	25,815
Harris County Flood Control District.....	83,075,000	08/31/20	0.03%	24,923
Port of Houston Authority.....	514,174,397	08/31/20	0.03%	154,252
Aldine Independent School District.....	1,024,820,000	08/31/20	0.74%	7,583,668
Lone Star College System District.....	544,355,000	08/31/20	0.09%	489,920
<b>Total Estimated Overlapping Debt .....</b>				<b>\$ 8,840,861</b>
<b>The District's Total Direct Debt (a) .....</b>				<b>14,820,000</b>
<b>Total Direct and Estimated Overlapping Debt .....</b>				<b>\$23,660,861</b>

Direct and Estimated Overlapping Debt as a Percentage of:  
 2020 Taxable Assessed Valuation of \$195,946,613..... 12.08%

(a) The Bonds and the Remaining Outstanding Bonds.

**Overlapping Taxes**

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

Set forth below are the taxes levied for the 2019 tax year by all entities overlapping the District and the 2020 tax rate levied by the District. No recognition is given to local assessments for civic association dues, fire department contributions or any other levy of entities other than political subdivisions.

	<u>Tax Rate Per \$100 of Taxable Assessed Valuation</u>
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County School Equalization and the Port of Houston Authority) .....	\$0.616700
Aldine Independent School District .....	1.347115
Lone Star College System District .....	0.107800
Harris County Emergency Services District No. 1.....	0.100000
Harris County Emergency Services District No. 20.....	0.100000
<b>Total Overlapping Tax Rate .....</b>	<b>\$2.271615</b>
<b>The District (a).....</b>	<b>0.725000</b>
<b>Total Tax Rate.....</b>	<b>\$2.996615</b>

(a) The District levied a 2020 total tax rate of \$0.725 per \$100 of taxable assessed valuation, of which \$0.485 per \$100 of taxable assessed valuation is allocated to debt service and \$0.240 per \$100 of taxable assessed valuation is allocated to maintenance and operations. See "TAX DATA—Debt Service Tax—Maintenance Tax."

## TAX DATA

### Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. For the 2020 tax year, the Board levied a debt service tax in the amount of \$0.485 per \$100 assessed valuation. See “Tax Rate Distribution” and “Tax Roll Information” below.

### Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. On September 14, 2002, the Board was authorized to levy such a maintenance tax without limitation as to rate or amount on all property subject to taxation with the District. For the 2020 tax year, the Board levied a maintenance tax at the rate of \$0.240 per \$100 assessed valuation. 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 Rate Distribution

	2020	2019	2018	2017	2016
Debt Service Tax	\$ 0.485	\$ 0.495	\$0.495	\$ 0.495	\$ 0.570
Maintenance Tax	<u>0.240</u>	<u>0.255</u>	<u>0.260</u>	<u>0.270</u>	<u>0.240</u>
Total District Tax Rate	\$ 0.725	\$ 0.750	\$0.755	\$ 0.765	\$ 0.810

### Historical Tax Collections

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

	Taxable	Tax	Total (b)	Total Collections	
	Assessed			As of September 30, 2020 (c)	
	Valuation (a)	Rate	Tax Levy	Amount	Percent
2015	\$ 142,045,839	\$ 0.860	1,220,969	\$ 1,217,528	99.72%
2016	155,006,990	0.810	1,255,557	1,251,455	99.67%
2017	171,247,491	0.765	1,310,044	1,301,843	99.37%
2018	179,020,454	0.755	1,351,605	1,339,360	99.09%
2019	187,543,750	0.750	1,406,959	1,336,803	95.01%
2020	171,190,244	0.725	1,241,129	(d)	(d)

- (a) As certified by the Appraisal District.  
 (b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.  
 (c) Unaudited.  
 (d) In process of collection. 2020 taxes are due January 31, 2021.

### Tax Exemptions

As discussed in the section titled “TAXING PROCEDURES” in the Official Statement, certain property in the District may be exempt from taxation by the District. For tax year 2020, the District has not granted a general homestead exemption, but has granted a \$30,000 exemption for residential homesteads of persons who are disabled or 65 years of age or over.

### Additional Penalties

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

## Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate. The following represents the composition of property comprising the 2018 through 2020 Taxable Assessed Valuation. Taxes are levied on taxable value certified by the Appraisal Districts as of January 1 of each year. Differences in totals from others shown in this Official Statement are due to differences in dates of the data. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. See "TAXING PROCEDURES." A breakdown of the uncertified portion (\$24,756,369) of the 2020 Taxable Assessed Valuation is not included herein.

	2020 Taxable Assessed Valuation	2019 Taxable Assessed Valuation	2018 Taxable Assessed Valuation
Land	\$ 36,715,742	\$ 43,002,842	\$ 39,557,131
Improvements	153,835,306	156,895,439	147,574,531
Personal Property	10,218,839	14,220,948	18,812,031
Exemptions	(29,579,643)	(26,575,479)	(26,923,239)
Certified Value	<u>\$ 171,190,244</u>	<u>\$ 187,543,750</u>	<u>\$ 179,020,454</u>
Uncertified Value	<u>24,756,369</u>	<u>-</u>	<u>-</u>
Total Value	<u>\$ 195,946,613</u>	<u>\$ 187,543,750</u>	<u>\$ 179,020,454</u>

## Principal Taxpayers

The following table represents the principal taxpayers, the taxable appraised value of such property, and such property's taxable assessed value as a percentage of the certified portion (\$171,190,244) of the 2020 Taxable Assessed Valuation of \$195,946,613, which represents ownership as of January 1, 2020. A principal taxpayer list related to the uncertified portion (\$24,756,369) of the 2020 Taxable Assessed Valuation is not currently available.

Taxpayer	Type of Property	2020 Certified Taxable Assessed Valuation	% of 2020 Certified Taxable Assessed Valuation
Crescent Directional Drilling LP	Personal Property	\$ 5,188,487	3.03%
Crescent Flowserve Partnership	Land & Improvements	3,399,631	1.99%
TWF Properties LLC	Land & Improvements	1,661,151	0.97%
TASCO Auto Color Corporation	Personal Property	1,353,693	0.79%
HUT Enterprises LLC	Land & Improvements	1,277,650	0.75%
T&T Inventure LLC	Land & Improvements	1,185,800	0.69%
SCI Texas Funeral Svc Inc.	Land & Improvements	1,044,860	0.61%
Centerpoint Energy Hou Elec	Personal Property	890,870	0.52%
Individual	Land, Improvements & Personal Property	860,064	0.50%
Valle Transportation Services	Personal Property	691,513	0.40%
Total		<u>\$ 17,553,719</u>	<u>10.25%</u>

**Tax Adequacy for Debt Service**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 appraised valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District’s tax base occurred beyond the 2020 Taxable Assessed Valuation of \$195,946,613 (\$171,190,244 of certified value plus \$24,756,369 of uncertified value). The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and the Remaining Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, and the sale of no additional bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”

Maximum Annual Debt Service Requirement (2038) .....	\$1,010,906
\$0.55 Tax Rate on the 2020 Taxable Assessed Valuation .....	\$1,023,821
 Average Annual Debt Service Requirement (2021-2043) .....	 \$941,896
\$0.51 Tax Rate on the 2020 Taxable Assessed Valuation .....	\$949,361

No representation or suggestion is made that the uncertified portion of the 2020 Taxable Assessed Valuation will not be adjusted downward once certified, and no person should rely upon such amount or its inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

**TAXING PROCEDURES**

**Authority to Levy Taxes**

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

**Property Tax Code and County-Wide Appraisal District**

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

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

**Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. For 2020, the Board applied a homestead exemption of \$30,000 for persons who are disabled or 65 years or older. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District.

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a residence homestead exemption equal to exemption received by the deceased spouse until such surviving spouse remarries. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

*Residential Homestead Exemptions:* The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year but must be adopted by May 1. For tax year 2020, the District has granted a 20% general homestead exemption. See "TAX DATA."

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

### **Tax Abatement**

Harris County may designate all or part of the area within such county and within the District or the District as a reinvestment zone. Thereafter, Harris County, the District, and the City of Houston (if it were to annex the District), at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

## **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the applicable 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. Generally, 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. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to a cumulative 10 percent annual increase 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 such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land and timberland.

The Property Tax Code requires the Appraisal Districts 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 Districts at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal Districts 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 Districts a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal Districts chooses formally to include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the applicable Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

## **District and Taxpayer Remedies**

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal Districts to compel compliance with the Property Tax Code. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.



## **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. However, a person who is (i) 65 years of age or older, (ii) disabled or (iii) a disabled veteran, entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. 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 District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. 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.

## **Rollback of Operation and Maintenance Tax Rate**

Chapter 49 of the Texas Water Code, as amended, 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 is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

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

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

*The District:* A determination as to a district's status as a 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 for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the 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 six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. See "INVESTMENT CONSIDERATIONS—General" and "—Tax Collections Limitations and Foreclosure Remedies."

### **The Effect of FIRREA on Tax Collections of the District**

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

## INVESTMENT CONSIDERATIONS

### **General**

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

### **Infectious Disease Outlook (COVID-19)**

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

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

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

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

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

### **Potential Effects of Oil Price Declines on the Houston Area**

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

### **Recent Extreme Weather Events: Hurricane Harvey**

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

According to the Water District Management Co., Inc. (the “Operator”) and A&S Engineers, Inc. (the “Engineer”), the District’s water and sewer system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, the District did not receive any reports of homes or businesses within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

### **Specific Flood Type Risks**

*River (or Fluvial) Flood:* Ponding, or pluvial, 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 sheetflow overland. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee or dam has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam or levee also could potentially create a flooding condition in rivers or man-made drainage systems (canals or channels) downstream.

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

### **Possible Impact on District Tax Rate**

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2020 Taxable Assessed Valuation is \$195,946,613 (\$171,190,244 of certified value and \$24,756,369 of uncertified value). After issuance of the Bonds, the maximum debt service requirement will be \$1,010,906 (2038), and the average annual debt service requirement will be \$941,896 (2021-2043 inclusive). Assuming no increase or decrease from the 2020 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.55 and \$0.51 per \$100 of appraised valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”

### **Dependence on Principal Taxpayers**

According to the District's 2020 tax rolls, the top ten principal taxpayers in the District are responsible for the payment of District taxes for approximately 10.25% (\$17,553,719) of the certified portion (\$171,190,244) of the 2020 Taxable Assessed Valuation. Crescent Directional Drilling LP ("Crescent"), an oil and gas drilling supplier, is the principal taxpayer within the District and is responsible for the payment of District taxes for approximately 3.03% of the 2020 tax roll. See "TAX DATA—Principal Taxpayers" and "INVESTMENT CONSIDERATIONS—Personal Property Valuation" below. The ability of any principal taxpayer, particularly Crescent, to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis.

### **Personal Property Valuation**

Based on the District's 2020 tax rolls, personal property represented approximately 5.97% (approximately \$10,218,839) of the District's certified portion (\$171,190,244) of the 2020 Taxable Assessed Valuation including the personal property owned by Crescent, which constitutes a total of \$5,188,487 and represents approximately 3.03% of the District's certified portion (\$171,190,244) of the 2020 Taxable Assessed Valuation. While taxable real property is subject to fluctuation, taxable personal property is mobile and capable of being removed entirely from the District and its tax rolls. To the extent that, because of a general business downturn or factors unique to the taxpayer, Crescent Directional Drilling, LP ceases to operate in the District and is not replaced by a similar business, the impact on the taxable assessed valuation of the District may be significant. In addition, should Crescent Directional Drilling, LP vacate its facilities, there may be a limited market for such facility. The District makes no representation regarding the likelihood that personal property currently listed on the District's tax rolls will remain in the District, or regarding the portion of future District tax rolls that will be represented by personal property. See "Dependence on Principal Taxpayers" in this section, and "TAX DATA—Principal Taxpayers."

Unlike real property, there is no certainty that personal property will remain in the District from year to year. Business inventories are portable, and could be removed from the District at any time. Personal property removed from the District as of January 1 of any year is not subject to taxation by the District for that year. A lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal property owned by the taxpayer as of January 1 with a tax situs in the District, but to any personal property then or thereafter owned by the taxpayer.

If personal property is subject to a lien for unpaid District taxes for any year, the District lien is lost if the property is sold in the ordinary course of business. The District may not be able to foreclose on personal property located outside the State of Texas, and locating and foreclosing on property held outside the District may be costly, inefficient and difficult.

The statute of limitations for collection of personal property taxes is four years from the date of delinquency, which is shorter than the 20 year statute of limitations for real property. Personal property may not be seized and a suit may not be filed to collect delinquent personal property taxes if the tax has been delinquent for more than four years. A tax and any penalty and interest on the tax that is delinquent longer than the limitation periods is presumed paid unless a suit to collect such personal property tax is pending. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. See "TAXING PROCEDURES."

No representation can be made by the District regarding collections of taxes on personal property. See "TAX DATA—Historical Tax Collections."

### **Future Debt**

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose.

At bond elections held within the District on March 15, 1972 and June 6, 1992, the voters of the District authorized the issuance of a total of \$7,040,000 principal amount of combination unlimited tax and revenue bonds, all of which have been issued. At an election held on September 14, 2002, the District's voters authorized the issuance of \$17,000,000 principal amount of unlimited tax and revenue bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and for refunding existing bonds, and after the issuance of the Bonds, \$2,863 principal amount of such bonds will remain authorized but unissued.

In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The District is also authorized to issue bonds to refund or redeem its outstanding debt. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for water, sewer and drainage purposes is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See “THE BONDS—Issuance of Additional Debt.” The issuance of additional obligations may increase the District’s tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

The District has called an election on November 3, 2020 for the purpose of voters to consider authorizing \$38,317,000 principal amount of unlimited tax bonds for the purpose or purposes of purchasing, constructing, acquiring, owning, operating, repairing, improving, or extending a waterworks system, sanitary sewer system, and drainage and storm sewer system. The District can make no representation as to whether the election will pass or fail at this time.

### **Tax Collections Limitations and Foreclosure Remedies**

The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). 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 assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

### **Registered Owners’ Remedies and Bankruptcy Limitations**

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

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901- 946. The filing of such petition would automatically stay the enforcement of Registered Owner’s remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision.

A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it is (1) authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

A district may not be forced into bankruptcy involuntarily.

### **Environmental Regulations**

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

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

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

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

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

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

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

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

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

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

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

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

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



The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has submitted all necessary documentation to the TCEQ for MS4 Permit compliance. In order to maintain its current compliance with the TCEQ under the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Unknown future costs associated with these compliance activities may be significant in the future.

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

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

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

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

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

*Flood Protection:* The District lies within the Greens Bayou Watershed as defined by the Harris County Flood Control District. Approximately 254 of the 370 lots in Sections 1-4 of the Maple Ridge Place Subdivision were within the limits of the 100-year flood plain for Greens Bayou. These lots were removed from the flood plain by Letters of Map Revisions. All of the homes in the Maple Ridge Place Subdivision were constructed on slabs elevated above the 100-year flood plain. Most of the homes in the Woodgate Subdivision are in the 100-year flood plain. None of the slabs of the homes in the Woodgate Subdivision were elevated above the 100-year flood plain. Harris County participated in the Tropical Storm Allison Recovery Project, or TSARP, as a joint study effort by the Federal Emergency Management Agency ("FEMA") and the Harris County Flood Control District ("Flood Control"). The purpose of the TSARP project was to develop technical products that will assist the local community in recovery from the devastating flooding, and provides the community with a greater understanding of flooding and flood risks. The final map for the area concerning the District was adopted in 2007.

Operations of the District are also potentially subject to requirements and restrictions under the Clean Water Act regarding the use and alteration of wetland areas that are within the "waters of the United States." The District must obtain a permit from the U.S. Army Corps of Engineers if operations of the District require that wetlands be filled, dredged, or otherwise altered.

### **Marketability of the Bonds**

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

### **Continuing Compliance with Certain Covenants**

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

### **Risk Factors Related to the Purchase of Municipal Bond Insurance**

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

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

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

### **Changes in Tax Legislation**

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

## **MUNICIPAL BOND RATING**

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) and Moody’s Investors Service, Inc. (“Moody’s”) have assigned municipal bond ratings of “AA” (stable outlook) and “A2” (stable outlook), respectively, to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. Moody’s has also assigned an underlying rating of “Baa1” to the Bonds. An explanation of the ratings may be obtained from S&P and Moody’s. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance” and “MUNICIPAL BOND INSURANCE.”

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

## MUNICIPAL BOND INSURANCE

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, 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 it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

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

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

### *Capitalization of AGM*

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020);
- (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 relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

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

*Miscellaneous Matters*

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

## LEGAL MATTERS

### Legal Opinions

Issuance of the Bonds is subject to (i) the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from a continuing, direct annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District, and the net revenues, if any, from the System, and (ii) the legal opinion of Bond Counsel, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that 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 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 and from certain net revenues, if any, of the District's waterworks and sewer system. Special Tax Counsel's opinion will address the matters described below under "TAX MATTERS." The legal opinion of Bond Counsel may be printed on the Bonds. Such opinion will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

In addition to serving as Bond Counsel, Coats Rose, P.C. also acts as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

### 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 from that set forth or contemplated in the Preliminary Official Statement.

### No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

## TAX MATTERS

### Opinion

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

In rendering its opinion, Special Tax Counsel will rely upon (a) the opinion of Coats Rose, P.C., Bond Counsel, that the Bonds are valid and binding obligations of the District payable from the proceeds of a generally-applicable ad valorem tax, (b) the District's federal tax certificate and the verification report prepared by Public Finance Partners LLC and (c) covenants of the District with respect to arbitrage compliance, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure by the District to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

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

### **Federal Income Tax Accounting Treatment of Original Issue Discount**

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

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

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

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

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

## **Collateral Federal Income Tax Consequences**

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

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

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

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

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

## **State, Local and Foreign Taxes**

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

## **Information Reporting and Backup Withholding**

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

## **Future and Proposed Legislation**

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

## **Qualified Tax-Exempt Obligations for Financial Institutions**

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

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

## **VERIFICATION OF MATHEMATICAL CALCULATIONS**

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the funds deposited to the Escrow Fund for the payment of the Refunded Bonds; (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes, and (c) compliance with City of Houston Ordinance No. 97-416.

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

## **PREPARATION OF OFFICIAL STATEMENT**

### **Sources and Compilation of Information**

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

### **Financial Advisor**

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



## **Bond Counsel**

Coats Rose P.C. is employed as Bond Counsel for the District and has reviewed the information appearing in this Official Statement under the captions “PLAN OF FINANCING—Escrow Agreement and Defeasance of Refunded Bonds,” “THE BONDS,” “THE DISTRICT—General,” “TAXING PROCEDURES,” “LEGAL MATTERS,” AND “CONTINUING DISCLOSURE OF INFORMATION.” Bond Counsel has reviewed the information under the aforementioned sections solely to determine whether such information fairly summarizes the law or documents referred to in such sections. Bond Counsel has not independently verified other factual information contained in this Official Statement nor 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 the limited participation of such firm as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

## **Consultants**

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants. Each consultant has agreed to the use of information provided by such firms.

*Engineer:* The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled “THE DISTRICT” and “THE SYSTEM” has been provided by A & S Engineers, Inc., Consulting Engineers, and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

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

*Auditor:* The District’s financial statements for the year ended December 31, 2019, were audited by Mark C. Eyring, CPA, PLLC. See “APPENDIX A” for a copy of the District’s December 31, 2019 financial statements.

*Bookkeeper:* The information related to the “unaudited” summary of the District’s General Operating Fund as it appears in “WATER AND SEWER OPERATIONS” has been provided by Claudia Redden & Associates, L.L.C., and is included herein in reliance upon the authority of such as an expert in tracking and managing the various funds of municipal utility districts.

## **Updating the Official Statement**

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

### **Certification of Official Statement**

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

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Resolution, the District has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

#### **Annual Reports**

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," except for "Estimated Overlapping Debt," "TAX DATA," "WATER AND SEWER OPERATIONS," and in APPENDIX A (Financial Statements of the District) and certain supplemental schedules. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2020. The District will provide the updated information to the MSRB.

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

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

#### **Specified Event Notices**

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person 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 an 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 the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “material” and “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operational data, or financial statements in accordance with its agreement described above under “Annual Reports.”

### **Availability of Information from MSRB**

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access (“EMMA”) internet portal at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

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

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

### **Compliance With Prior Undertakings**

The District is in compliance with its prior continuing disclosure agreements made in accordance with SEC Rule 15c2-12 with the exception of the following: The District failed to provide the District's operating data for the fiscal year ending December 31, 2017, in a timely manner to the MSRB. The District's operating data for the fiscal year ending December 31, 2017 and a Notice of Failure to Provide were filed with the MSRB on July 10, 2018. The District failed to include the CUSIPs for all of its outstanding bonds when it filed its annual financial information and operating data for the fiscal year ending December 31, 2017. The corrected information with links to all CUSIPs along with a Notice of Failure to Provide was filed with the MSRB on January 8, 2019. In addition, the District failed to include the CUSIPs for all of its outstanding bonds when it filed its annual financial information and operating data for the fiscal year ending December 31, 2015 and erroneously included the December 31, 2014 information for such filing. The corrected information with links to all CUSIPs along with a Notice of Failure to Provide was filed with the MSRB on January 8, 2019. Additionally, the District's annual financial information for the fiscal year ending December 31, 2014 was not filed in a timely manner with the MSRB. The District's annual financial information for the fiscal year ending December 31, 2014 was filed with the MSRB on April 20, 2016, and a Notice of Failure to Provide was filed with the MSRB on January 8, 2019. Finally, a Material Event Notice for the District's change in underlying rating from "Baa2" to "Baa1" was not filed in a timely manner. The Material Event Notice for the change in underlying rating was filed along with a Notice of Failure to Provide with the MSRB on January 8, 2019. The District has instituted procedures to ensure timely filing of all future annual financial and operating data information.

### **MISCELLANEOUS**

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

This OFFICIAL STATEMENT was approved by the Board of Directors of Harris County Municipal Utility District No. 11, as of the date shown on the inside cover page.

/s/Kenneth D. Vasina  
President, Board of Directors

ATTEST:

/s/Stella L. Morris  
Secretary, Board of Directors

**APPENDIX A**  
**Financial Statements of the District for the year ended December 31, 2019**

HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 11  
HARRIS COUNTY, TEXAS  
ANNUAL AUDIT REPORT  
DECEMBER 31, 2019

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# Mark C. Eyring, CPA, PLLC

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

April 22, 2020

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Harris County Municipal  
Utility District No. 11  
Harris County, Texas

I have audited the accompanying financial statements of the governmental activities and each fund of Harris County Municipal Utility District No. 11, as of and for the year ended December 31, 2019, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Harris County Municipal Utility District No. 11 as of December 31, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.



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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 7 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 20 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 21 to 41 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

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

## Management's Discussion and Analysis

### Using this Annual Report

Within this section of the Harris County Municipal Utility District No. 11 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2019.

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

#### *Government-Wide Financial Statements*

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

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

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

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

#### *Fund Financial Statements*

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

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

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

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

### **Financial Analysis of the District as a Whole**

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

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

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

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

Summary of Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Current and other assets	\$ 9,086,198	\$ 6,454,118	\$ 2,632,080
Capital assets	9,439,036	8,632,166	806,870
Total assets	<u>18,525,234</u>	<u>15,086,284</u>	<u>3,438,950</u>
Long-term liabilities	14,716,040	11,420,391	3,295,649
Other liabilities	1,173,260	916,767	256,493
Total liabilities	<u>15,889,300</u>	<u>12,337,158</u>	<u>3,552,142</u>
Total deferred inflows of resources	<u>1,405,183</u>	<u>1,360,989</u>	<u>44,194</u>
Net position:			
Invested in capital assets, net of related debt	(5,597,503)	(3,123,710)	(2,473,793)
Restricted	3,398,438	1,196,869	2,201,569
Unrestricted	3,429,816	3,314,978	114,838
Total net position	<u>\$ 1,230,751</u>	<u>\$ 1,388,137</u>	<u>\$ (157,386)</u>

Summary of Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 1,385,197	\$ 1,333,515	\$ 51,682
Charges for services	1,029,724	993,834	35,890
Other revenues	225,846	145,778	80,068
Total revenues	<u>2,640,767</u>	<u>2,473,127</u>	<u>167,640</u>
Expenses:			
Service operations	1,934,814	1,359,339	575,475
Debt service	863,339	510,601	352,738
Total expenses	<u>2,798,153</u>	<u>1,869,940</u>	<u>928,213</u>
Change in net position	(157,386)	603,187	(760,573)
Net position, beginning of year	<u>1,388,137</u>	<u>784,950</u>	<u>603,187</u>
Net position, end of year	<u>\$ 1,230,751</u>	<u>\$ 1,388,137</u>	<u>\$ (157,386)</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances as of the end of the fiscal year ended December 31, 2019, were \$7,024,916, an increase of \$2,409,522 from the prior year.

The General Fund balance increased by \$110,646, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$116,305, in accordance with the District's financial plan.

The Capital Projects Fund balance decreased by \$2,182,571, as proceeds from the Series 2019 bonds and interest earnings exceeded authorized expenditures.

#### *General Fund Budgetary Highlights*

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A detailed comparison of budgeted and actual revenues and expenditures is presented on Page 20 of this report. The budgetary fund balance as of December 31, 2019, was expected to be \$3,303,667 and the actual end of year fund balance was \$3,414,313.

### **Capital Asset and Debt Administration**

#### *Capital Assets*

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2019</u>	<u>2018</u>	<u>Change</u>
Land	\$ 768,241	\$ 768,241	\$ 0
Detention ponds	1,640,695	1,640,695	0
Construction in progress	886,626	134,356	752,270
Water facilities	2,446,042	2,274,136	171,906
Sewer facilities	<u>3,697,432</u>	<u>3,814,738</u>	<u>(117,306)</u>
Totals	<u>\$ 9,439,036</u>	<u>\$ 8,632,166</u>	<u>\$ 806,870</u>

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

Additions:		
Water system improvements		\$ 1,031,381
Sewer system improvements		<u>67,032</u>
Total additions to capital assets		1,098,413
Decreases:		
Depreciation		<u>(291,543)</u>
Net change to capital assets		<u>\$ 806,870</u>

#### *Debt*

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

Bonds payable, beginning of year	\$ 11,840,000
Bonds sold	3,795,000
Bonds paid	<u>(380,000)</u>
Bonds payable, end of year	<u>\$ 15,255,000</u>

At December 31, 2019, the District had \$2,863 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The District's Series 2013 and 2015 bonds have an underlying rating of BBB+ from Standard & Poor's. The Series 2016 and 2019 bonds have an underlying rating of Baa1 from Moody's. The Series 2013 and 2019 bonds are insured by Assured Guaranty Municipal Corp. and the Series 2015 and 2016 bonds are insured by Build America Mutual Assurance Company. The insured rating of the Series 2013, 2015, 2016 and 2019 bonds is AA by Standard & Poor's. The Series 2014 bonds are not rated. There were no changes in the bond ratings during the fiscal year ended December 31, 2019.

## **RELEVANT FACTORS AND WATER SUPPLY ISSUES**

### *Property Tax Base*

The District's tax base increased approximately \$8,300,000 for the 2019 tax year (approximately 5%), primarily due to the increase in the average assessed valuations on existing property.

### *Relationship to the City of Houston*

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

Utilizing a provision of Texas law, the City of Houston ("City") and the District entered into a Strategic Partnership Agreement ("SPA") effective as of July 11, 2006 (amended and restated effective December 13, 2010). The SPA provides for the limited purpose annexation of certain developed commercial tracts within the District into the City for the limited purposes of imposition of the City's Sales and Use Tax, certain municipal court jurisdictions, and health inspection services and enforcement. No other City services are provided. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City. Additional properties may become subject to the SPA by further amending the SPA upon the consent of the City and the District. The City pays the District an amount equal to 50 percent of all Sales and Use Tax revenues generated from the properties subject to the SPA and received by the City from the Comptroller of Public Accounts of the State of Texas. The term of the SPA is 30 years from the original date of the SPA, July 11, 2006. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

### *Water Supply Issues*

The Harris-Galveston Subsidence District (the "Subsidence District") was created by the Texas Legislature to reduce subsidence by regulating the withdrawal of groundwater within Harris and Galveston Counties. In 1999, the Subsidence District adopted its District Regulatory Plan ("Regulatory Plan") to control groundwater withdrawals. The Regulatory Plan divides the Subsidence District's jurisdiction into regulatory areas. The Subsidence District's Regulatory Area 3 ("Area 3") generally encompasses northwest and western Harris County, including the District. Pursuant to the Regulatory Plan, specific major water users, including those in Area 3, must reduce groundwater withdrawals to no more than 70% by January 2010, to no more than 40% by January 2025 and to no more than 20% by January 2035. Additionally, each such water user, including the District, is required to have either a certified Groundwater Reduction Plan ("GRP") on file with the Subsidence District or to be part of a regional GRP; otherwise, the District risks being assessed the Subsidence District's disincentive fee against groundwater pumped from wells located within the District. The District has opted to become part of the City of Houston (the "City") GRP pursuant to a contract entered into between the District and the City. As a participant in the City's GRP, the District has complied with all Subsidence District requirements in regard to the conversion to surface water, but is obligated to pay to the City a groundwater withdrawal fee for all groundwater produced and used by the District and a water purchase fee for any water actually purchased from the City by the District in the future. 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 should the City require the District to convert to surface water and connect to the City's water supply system or should the District determine that it would be in the District's best interest to supplement or replace its groundwater supply with surface water.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

DECEMBER 31, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>						
Cash, including interest-bearing accounts, Note 7	\$ 168,543	\$ 816,249	\$ 19,801	\$ 1,004,593	\$	\$ 1,004,593
Temporary investments, at cost, Note 7	3,552,113	1,163,751	2,554,717	7,270,581		7,270,581
Receivables:						
Property taxes	213,281	417,026		630,307		630,307
Accrued penalty and interest on property taxes				0	18,197	18,197
Service accounts	101,178			101,178		101,178
Sales and Use taxes, Note 10	13,113			13,113		13,113
Other	11,701			11,701		11,701
Due from other fund	50,194			50,194	(50,194)	0
Maintenance taxes collected not yet transferred from other fund	242,078			242,078	(242,078)	0
Prepaid expenditures	36,528			36,528		36,528
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	3,295,562	3,295,562
Depreciable capital assets				0	6,143,474	6,143,474
<b>Total assets</b>	<b><u>\$4,388,729</u></b>	<b><u>\$2,397,026</u></b>	<b><u>\$2,574,518</u></b>	<b><u>\$ 9,360,273</u></b>	<b><u>9,164,961</u></b>	<b><u>18,525,234</u></b>
<b>LIABILITIES</b>						
Accounts payable	\$ 249,211	\$ 2,300	\$ 14,662	\$ 266,173		266,173
Construction contracts payable			91,184	91,184		91,184
Accrued interest payable				0	198,462	198,462
Customer and builder deposits	201,940			201,940		201,940
Landowner deposit for detention pond maintenance	30,000			30,000		30,000
Due to other fund			50,194	50,194	(50,194)	0
Maintenance taxes collected not yet transferred to other fund		242,078		242,078	(242,078)	0
Long-term liabilities, Note 5:						
Due within one year				0	385,501	385,501
Due in more than one year				0	14,716,040	14,716,040
<b>Total liabilities</b>	<b><u>481,151</u></b>	<b><u>244,378</u></b>	<b><u>156,040</u></b>	<b><u>881,569</u></b>	<b><u>15,007,731</u></b>	<b><u>15,889,300</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property tax revenues	<u>493,265</u>	<u>960,523</u>	<u>0</u>	<u>1,453,788</u>	<u>(48,605)</u>	<u>1,405,183</u>
<b>FUND BALANCES / NET POSITION</b>						
Fund balances:						
Restricted for bond interest, Note 5		65,002		65,002	(65,002)	0
Committed to construction contracts in progress			72,996	72,996	(72,996)	0
Assigned to:						
Debt service		1,127,123		1,127,123	(1,127,123)	0
Capital projects			2,345,482	2,345,482	(2,345,482)	0
Unassigned	<u>3,414,313</u>			<u>3,414,313</u>	<u>(3,414,313)</u>	<u>0</u>
<b>Total fund balances</b>	<b><u>3,414,313</u></b>	<b><u>1,192,125</u></b>	<b><u>2,418,478</u></b>	<b><u>7,024,916</u></b>	<b><u>(7,024,916)</u></b>	<b><u>0</u></b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b><u>\$4,388,729</u></b>	<b><u>\$2,397,026</u></b>	<b><u>\$2,574,518</u></b>	<b><u>\$ 9,360,273</u></b>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(5,597,503)	(5,597,503)
Restricted for debt service					979,960	979,960
Restricted for capital projects					2,418,478	2,418,478
Unrestricted					<u>3,429,816</u>	<u>3,429,816</u>
<b>Total net position</b>					<b><u>\$ 1,230,751</u></b>	<b><u>\$ 1,230,751</u></b>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11

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

FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
<b>REVENUES</b>						
Property taxes	\$ 463,199	\$ 882,376	\$	\$ 1,345,575	\$ 11,760	\$ 1,357,335
Water service	470,239			470,239		470,239
Sewer service	380,335			380,335		380,335
Surface water fees, Note 9	100,739			100,739		100,739
Penalty and interest	26,256	22,826		49,082	5,036	54,118
Sales and Use Taxes, Note 10	55,146			55,146		55,146
Tap connection and inspection fees	20,154			20,154		20,154
Interest on deposits and investments	83,600	27,842	59,258	170,700		170,700
Accrued interest on bonds received at date of sale		5,184		5,184	(5,184)	0
Other revenues	32,001			32,001		32,001
<b>Total revenues</b>	<b>1,631,669</b>	<b>938,228</b>	<b>59,258</b>	<b>2,629,155</b>	<b>11,612</b>	<b>2,640,767</b>
<b>EXPENDITURES / EXPENSES</b>						
Service operations:						
Professional fees	225,982	8,262	2,700	236,944		236,944
Contracted services	108,053	30,978		139,031		139,031
Utilities	89,498			89,498		89,498
Groundwater pumpage fees, Note 9	55,369			55,369		55,369
Repairs and maintenance	548,570		28,593	577,163		577,163
Other operating expenditures	167,406			167,406		167,406
Security service	69,220			69,220		69,220
Administrative expenditures	123,942	4,258		128,200		128,200
Depreciation				0	291,543	291,543
Capital outlay / non-capital outlay	267,340		1,011,513	1,278,853	(1,098,413)	180,440
Debt service:						
Principal retirement		380,000		380,000	(380,000)	0
Bond issuance expenditures			237,112	237,112		237,112
Interest and fees		541,987		541,987	84,240	626,227
<b>Total expenditures / expenses</b>	<b>1,655,380</b>	<b>965,485</b>	<b>1,279,918</b>	<b>3,900,783</b>	<b>(1,102,630)</b>	<b>2,798,153</b>
Excess (deficiency) of revenues over expenditures	(23,711)	(27,257)	(1,220,660)	(1,271,628)	1,114,242	(157,386)
<b>OTHER FINANCING SOURCES (USES)</b>						
Bonds issued, Note 5		257,412	3,537,588	3,795,000	(3,795,000)	0
Bond issuance discount, Note 5		(113,850)		(113,850)	113,850	0
Reimbursement to (from) other fund, Note 7	134,357		(134,357)	0	0	0
<b>Total other financing sources (uses)</b>	<b>134,357</b>	<b>143,562</b>	<b>3,403,231</b>	<b>3,681,150</b>	<b>(3,681,150)</b>	<b>0</b>
Net change in fund balances / net position	110,646	116,305	2,182,571	2,409,522	(2,566,908)	(157,386)
Beginning of year	3,303,667	1,075,820	235,907	4,615,394	(3,227,257)	1,388,137
End of year	\$ 3,414,313	\$ 1,192,125	\$ 2,418,478	\$ 7,024,916	\$ (5,794,165)	\$ 1,230,751

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



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11NOTES TO THE FINANCIAL STATEMENTSDECEMBER 31, 2019

## NOTE 1: REPORTING ENTITY

Harris County Municipal Utility District No. 11 (the "District") was created by an order of the Texas Water Rights Commission (now the Texas Commission on Environmental Quality) effective March 15, 1972, and operates in accordance with Texas Water Code, Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five-member Board of Directors. The Board of Directors held its first meeting on March 24, 1972, and the first bonds were sold on April 9, 1973. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Basis of Accounting

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

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

### Interfund Activity

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

### Receivables

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

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

### Capital Assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 7,024,916
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Total capital assets, net		9,439,036
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (15,255,000)	
Deferred charge on refunding (to be amortized as interest expense)	369,162	
Issuance (premium) net of discount (to be amortized as interest expense)	<u>(215,703)</u>	(15,101,541)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	18,197	
Uncollected property taxes	<u>48,605</u>	66,802
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(198,462)</u>
Net position, end of year		<u>\$ 1,230,751</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Total net change in fund balances		\$ 2,409,522
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay	\$ 1,098,413	
Depreciation	<u>(291,543)</u>	806,870
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Bonds issued	(3,795,000)	
Principal reduction	<u>380,000</u>	(3,415,000)
<p>The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>		
Refunding charges	(40,061)	
Issuance discount, net of premium	<u>109,396</u>	69,335
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Accrued penalty and interest on property taxes receivable	5,036	
Uncollected property taxes	<u>11,760</u>	16,796
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:</p>		
Accrued interest		<u>(44,909)</u>
Change in net position		<u>\$ (157,386)</u>

NOTE 4: CAPITAL ASSETS

At December 31, 2019, "Invested in capital assets, net of related debt" was \$(5,597,503). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 768,241	\$	\$	\$ 768,241
Detention ponds	1,640,695			1,640,695
Construction in progress	<u>134,356</u>	<u>1,011,513</u>	<u>259,243</u>	<u>886,626</u>
Total capital assets not being depreciated	<u>2,543,292</u>	<u>1,011,513</u>	<u>259,243</u>	<u>3,295,562</u>
Depreciable capital assets:				
Water system	4,734,709	336,533		5,071,242
Sewer system	<u>6,195,975</u>	<u>9,610</u>		<u>6,205,585</u>
Total depreciable capital assets	<u>10,930,684</u>	<u>346,143</u>	<u>0</u>	<u>11,276,827</u>
Less accumulated depreciation for:				
Water system	(2,460,573)	(164,627)		(2,625,200)
Sewer system	<u>(2,381,237)</u>	<u>(126,916)</u>		<u>(2,508,153)</u>
Total accumulated depreciation	<u>(4,841,810)</u>	<u>(291,543)</u>	<u>0</u>	<u>(5,133,353)</u>
Total depreciable capital assets, net	<u>6,088,874</u>	<u>54,600</u>	<u>0</u>	<u>6,143,474</u>
Total capital assets, net	<u>\$ 8,632,166</u>	<u>\$ 1,066,113</u>	<u>\$ 259,243</u>	<u>\$ 9,439,036</u>
Changes to capital assets:				
Capital outlay		\$ 1,098,413	\$	
Assets transferred to depreciable assets		259,243	259,243	
Less depreciation expense for the fiscal year		<u>(291,543)</u>		
Net increases / decreases to capital assets		<u>\$ 1,066,113</u>	<u>\$ 259,243</u>	

**NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES**

Long-term liability activity for the fiscal year ended December 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 11,840,000	\$ 3,795,000	\$ 380,000	\$ 15,255,000	\$ 435,000
Less deferred amounts:					
For issuance (discounts) premiums	325,099	(113,850)	(4,454)	215,703	(10,312)
On refunding	<u>(409,223)</u>		<u>(40,061)</u>	<u>(369,162)</u>	<u>(39,187)</u>
Total bonds payable	<u>11,755,876</u>	<u>3,681,150</u>	<u>335,485</u>	<u>15,101,541</u>	<u>385,501</u>
Total long-term liabilities	<u>\$ 11,755,876</u>	<u>\$ 3,681,150</u>	<u>\$ 335,485</u>	<u>\$ 15,101,541</u>	<u>\$ 385,501</u>

Developer Construction Commitments and Liabilities

At December 31, 2019, there were no developer construction commitments or liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of December 31, 2019, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 435,000	\$ 589,428	\$ 1,024,428
2021	445,000	577,095	1,022,095
2022	455,000	563,654	1,018,654
2023	460,000	549,380	1,009,380
2024	470,000	534,772	1,004,772
2025 - 2029	2,725,000	2,380,874	5,105,874
2030 - 2034	3,245,000	1,791,982	5,036,982
2035 - 2039	4,125,000	993,970	5,118,970
2040 - 2043	<u>2,895,000</u>	<u>204,626</u>	<u>3,099,626</u>
	<u>\$ 15,255,000</u>	<u>\$ 8,185,781</u>	<u>\$ 23,440,781</u>

Construction bonds voted	\$ 7,040,000
Construction bonds approved for sale and sold	7,040,000
Construction bonds voted and not issued	0
Construction and refunding bonds voted	17,000,000
Construction and refunding bonds sold	16,997,137
Construction and refunding bonds voted and not issued	2,863

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, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

The bond issues payable at December 31, 2019, were as follows:

	<u>Series 2013</u>	<u>Refunding Series 2014</u>
Amounts outstanding, December 31, 2019	\$2,625,000	\$975,000
Interest rates	3.50% to 5.00%	2.35%
Maturity dates, serially beginning/ending	March 1, 2020/2037	March 1, 2020/2024
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates	March 1, 2021*	March 1, 2022*

\*Or any date thereafter at the option of the District, in whole or in part, at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Series 2015</u>	<u>Refunding Series 2016</u>	<u>Series 2019</u>
Amounts outstanding, December 31, 2019	\$2,850,000	\$5,010,000	\$3,795,000
Interest rates	2.00% to 4.00%	2.00% to 4.00%	3.00% to 5.50%
Maturity dates, serially beginning/ending	March 1, 2020/2040	March 1, 2020/2034	March 1, 2020/2043
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	March 1, 2022*	March 1, 2023*	March 1, 2024*

\*Or any date thereafter at the option of the District, in whole or in part, at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption.

NOTE 6: PROPERTY TAXES

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

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

At an election held September 14, 2002, the voters within the District authorized a maintenance tax without limitation as to rate or amount on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 2, 2019, the District levied the following ad valorem taxes for the 2019 tax year and the 2020 fiscal year on the adjusted taxable valuation of \$187,357,497:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.4950	\$ 927,421
Maintenance	<u>0.2550</u>	<u>477,762</u>
	<u>\$ 0.7500</u>	<u>\$ 1,405,183</u>

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

2019 tax year total property tax levy	\$ 1,405,183
2019 tax year total property tax levy deferred to 2020 fiscal year	(1,405,183)
2018 tax year total property tax levy deferred to 2019 fiscal year	1,360,991
Appraisal district adjustments to prior year taxes	<u>(3,656)</u>
Statement of Activities property tax revenues	<u>\$ 1,357,335</u>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

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

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

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$1,004,593 and the bank balance was \$920,715. Of the bank balance, \$500,000 was covered by federal insurance, \$356,218 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Dallas and \$64,497 was covered by the market value of collateral held by the District's custodial bank in the District's name. The market value of collateral was reported to the District by the depository.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$7,270,581.

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

Debt Service Fund

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

Cash	\$ 816,249
Temporary investments	<u>1,163,751</u>
	<u>\$ 1,980,000</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$ 19,801
Temporary investments	<u>2,554,717</u>
	<u>\$ 2,574,518</u>

During the year ended December 31, 2019, the District reimbursed \$134,357 from the Capital Projects Fund to the General Fund in accordance with the rules of the Texas Commission on Environmental Quality.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 8: RISK MANAGEMENT**

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

At December 31, 2019, the District had physical damage and boiler and machinery coverage of \$9,227,400, mobile equipment coverage of \$42,500, general liability coverage with a per occurrence limit of \$5,000,000 and \$10,000,000 general aggregate, pollution liability coverage of \$2,000,000, automobile liability coverage of \$2,000,000, law enforcement liability coverage with a per occurrence limit of \$3,000,000 and \$6,000,000 general aggregate, consultant's crime coverage of \$1,000,000, a tax assessor-collector bond of \$100,000 and statutory worker's compensation coverage with the Texas Municipal League Intergovernmental Risk Pool (the "Pool"). The Pool is a public entity risk pool currently operating as a common risk management and insurance program for various Texas public entities. The District pays annual premiums for its general insurance coverage. The Pool purchases reinsurance for protection against catastrophic losses that exceed the Pool's self-insurance retention. This reinsurance is purchased from companies rated A- or higher by A. M. Best Company.

**NOTE 9: GROUNDWATER PUMPAGE FEES**

On July 11, 2003, the District entered into a Water Supply and Groundwater Reduction Plan Wholesale Agreement (the "Agreement") with the City of Houston (the "City") in order to meet regulatory compliance requirements of the Harris-Galveston Subsidence District (the "Subsidence District"). The Agreement continues until noon on December 31, 2040. Under the terms of the Agreement, the City is the manager of the Groundwater Reduction Plan (the "GRP") that includes the District as a participant. In order to achieve overall compliance with the Subsidence District regulation for reduction of groundwater use in Regulatory Area 3, treated surface water will be supplied by the City to some of the participants in the GRP area in sufficient quantities to meet the requirements. Under the terms of the Agreement, the District will pay to the City a monthly pumpage charge based on the District's groundwater pumpage. The surface water pumpage fees payable by the District to the City for the fiscal year ended December 31, 2019, were \$55,369. The District billed its customers \$100,739 during the fiscal year to pay for the fees charged by the City.

**NOTE 10: STRATEGIC PARTNERSHIP AGREEMENT**

Effective as of July 11, 2006 (amended and restated effective December 13, 2010), the District and the City of Houston (the "City") entered into a 30 year Strategic Partnership Agreement (the "SPA"). Under the terms of the SPA, the City annexed a portion of the District (the "Partial District") for the limited purpose of imposition of the City's Sales and Use Tax. The SPA states that the District and all taxable property within the District shall not be liable for any present or future debts of the City and current and future taxes levied by the City shall not be levied on taxable property with the District. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

The City has imposed a Sales and Use Tax within the boundaries of the Partial District at the time of the limited-purpose annexation of the Partial District. The SPA provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas. The District accrued Sales and Use Tax revenues of \$55,146 from the City for the year ended December 31, 2019. \$13,113 of this amount was receivable at that date.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u> <u>Over</u> <u>(Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 450,000	\$ 450,000	\$ 463,199	\$ 13,199
Water service	500,000	500,000	470,239	(29,761)
Sewer service	400,000	400,000	380,335	(19,665)
Surface water fees	80,000	80,000	100,739	20,739
Penalty	30,000	30,000	26,256	(3,744)
Tap connection and inspection fees	30,000	30,000	20,154	(9,846)
Sales and Use Taxes	55,000	55,000	55,146	146
Interest on deposits and investments	80,000	80,000	83,600	3,600
Other revenues	25,000	25,000	32,001	7,001
<b>TOTAL REVENUES</b>	<u>1,650,000</u>	<u>1,650,000</u>	<u>1,631,669</u>	<u>(18,331)</u>
<b>EXPENDITURES</b>				
Service operations:				
Professional fees	212,000	212,000	225,982	13,982
Contracted services	91,000	91,000	108,053	17,053
Utilities	100,000	100,000	89,498	(10,502)
Groundwater pumpage fees	80,000	80,000	55,369	(24,631)
Repairs and maintenance	500,000	500,000	548,570	48,570
Other operating expenditures	155,000	155,000	167,406	12,406
Security service	70,000	70,000	69,220	(780)
Administrative expenditures	142,000	142,000	123,942	(18,058)
Capital outlay	300,000	300,000	267,340	(32,660)
<b>TOTAL EXPENDITURES</b>	<u>1,650,000</u>	<u>1,650,000</u>	<u>1,655,380</u>	<u>5,380</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<u>0</u>	<u>0</u>	<u>(23,711)</u>	<u>(23,711)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Reimbursement from other fund	0	0	134,357	134,357
<b>EXCESS SOURCES (USES)</b>	0	0	110,646	110,646
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>3,303,667</u>	<u>3,303,667</u>	<u>3,303,667</u>	<u>0</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 3,303,667</u>	<u>\$ 3,303,667</u>	<u>\$ 3,414,313</u>	<u>\$ 110,646</u>

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

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11  
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION  
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY  
DECEMBER 31, 2019

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11

SCHEDULE OF SERVICES AND RATES

DECEMBER 31, 2019

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

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

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$25.00	7,000	N	\$4.00 6.00	7,001 to 20,000 Over 20,000
WASTEWATER:	\$25.00		Y		
SURCHARGE:	0.50 % of monthly billing -- TCEQ assessment fees. \$1.04 per 1,000 gallons of water used – surface water fee.				

District employs winter averaging for wastewater usage: Yes  No

Total charges per 10,000 gallons usage: Water: \$37.00 Wastewater: \$25.00 Surcharge: \$10.71

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11

SCHEDULE OF SERVICES AND RATES (Continued)

DECEMBER 31, 2019

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	0	0	1.0	0
< or = 3/4"	1,176	1,165	1.0	1,165
1"	13	12	2.5	30
1-1/2"	2	2	5.0	10
2"	0	0	8.0	0
3"	20	20	15.0	300
4"	0	0	25.0	0
6"	0	0	50.0	0
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	<u>1,211</u>	<u>1,199</u>		<u>1,505</u>
Total Wastewater	<u>1,205</u>	<u>1,193</u>	1.0	<u>1,193</u>

\*Single family equivalents

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

Gallons pumped into system (unaudited): 114,642 (61,632 thousand gallons received from another  
 Gallons billed to customers (unaudited): 98,934 District included. Water to be repaid in-kind.)

Water Accountability Ratio  
 (Gallons billed/ gallons pumped): 86%

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

Does the District have Debt Service standby fees? Yes  No

If yes, date of the most recent Commission Order: \_\_\_\_\_

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

If yes, date of the most recent Commission Order: \_\_\_\_\_

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11

EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CURRENT</b>				
Professional fees:				
Auditing	\$ 10,950	\$	\$	\$ 10,950
Legal	154,951	8,262	2,700	165,913
Engineering	60,081			60,081
	<u>225,982</u>	<u>8,262</u>	<u>2,700</u>	<u>236,944</u>
Contracted services:				
Bookkeeping	18,100			18,100
Operation and billing	87,365			87,365
Sales tax consultant	2,588			2,588
Tax assessor-collector		20,836		20,836
Central appraisal district		10,142		10,142
	<u>108,053</u>	<u>30,978</u>	<u>0</u>	<u>139,031</u>
Utilities	<u>89,498</u>	<u>0</u>	<u>0</u>	<u>89,498</u>
Groundwater pumpage fees	<u>55,369</u>	<u>0</u>	<u>0</u>	<u>55,369</u>
Repairs and maintenance	<u>548,570</u>	<u>0</u>	<u>28,593</u>	<u>577,163</u>
Other operating expenditures:				
Sludge hauling	66,081			66,081
Chemicals	41,884			41,884
Laboratory costs	22,958			22,958
Sewer inspection costs	3,866			3,866
Telephone	7,581			7,581
Reconnection costs	14,471			14,471
TCEQ assessment	4,233			4,233
Other	6,332			6,332
	<u>167,406</u>	<u>0</u>	<u>0</u>	<u>167,406</u>
Security service	<u>69,220</u>	<u>0</u>	<u>0</u>	<u>69,220</u>
Administrative expenditures:				
Director's fees	21,450			21,450
Office supplies and postage	31,998			31,998
Insurance	24,245			24,245
Permit fees	8,961			8,961
Other	37,288	4,258		41,546
	<u>123,942</u>	<u>4,258</u>	<u>0</u>	<u>128,200</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11

EXPENDITURES (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CAPITAL OUTLAY</b>				
Authorized expenditures	\$ 256,579	\$	\$ 1,011,513	\$ 1,268,092
Tap connection costs	10,761			10,761
	<u>267,340</u>	<u>0</u>	<u>1,011,513</u>	<u>1,278,853</u>
<b>DEBT SERVICE</b>				
Principal retirement	<u>0</u>	<u>380,000</u>	<u>0</u>	<u>380,000</u>
Bond issuance expenditures	<u>0</u>	<u>0</u>	<u>237,112</u>	<u>237,112</u>
Interest and fees:				
Interest		539,987		539,987
Paying agent fees		2,000		2,000
	<u>0</u>	<u>541,987</u>	<u>0</u>	<u>541,987</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,655,380</u>	<u>\$ 965,485</u>	<u>\$ 1,279,918</u>	<u>\$ 3,900,783</u>

See accompanying independent auditor's report.



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11  
ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS  
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
<b>SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS</b>				
Cash receipts from revenues excluding maintenance taxes	\$ 1,220,112	\$ 1,057,570	\$ 59,258	\$ 2,336,940
Maintenance tax receipts		520,394		520,394
Transfer of maintenance taxes	484,631			484,631
Proceeds from sale of bonds		143,562	3,537,588	3,681,150
Increase in customer and builder deposits	10,165			10,165
Reimbursement from other fund	134,357			134,357
Overpayments from taxpayers		22,863		22,863
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED</b>	<b>1,849,265</b>	<b>1,744,389</b>	<b>3,596,846</b>	<b>7,190,500</b>
<b>APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS</b>				
Cash disbursements for:				
Current expenditures	1,417,328	44,139	31,293	1,492,760
Capital outlay	267,340		856,504	1,123,844
Debt service		921,987	237,112	1,159,099
Other fund	50,194			50,194
Transfer of maintenance taxes		484,631		484,631
Reimbursement to other fund			134,357	134,357
Refund of taxpayer overpayments		24,569		24,569
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED</b>	<b>1,734,862</b>	<b>1,475,326</b>	<b>1,259,266</b>	<b>4,469,454</b>
<b>INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS</b>	<b>114,403</b>	<b>269,063</b>	<b>2,337,580</b>	<b>2,721,046</b>
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR</b>	<b>3,606,253</b>	<b>1,710,937</b>	<b>236,938</b>	<b>5,554,128</b>
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR</b>	<b>\$ 3,720,656</b>	<b>\$ 1,980,000</b>	<b>\$ 2,574,518</b>	<b>\$ 8,275,174</b>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11

SCHEDULE OF TEMPORARY INVESTMENTS

DECEMBER 31, 2019

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
TexPool				
No. 2562900003	Market	On demand	\$ 3,552,113	\$ 0
DEBT SERVICE FUND				
TexPool				
No. 2562900001	Market	On demand	\$ 1,163,751	\$ 0
CAPITAL PROJECTS FUND				
TexPool				
No. 2562900007	Market	On demand	\$ 226,882	\$
No. 2562900008	Market	On demand	<u>2,327,835</u>	<u>                    </u>
			<u>\$ 2,554,717</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 7,270,581</u>	<u>\$ 0</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11TAXES LEVIED AND RECEIVABLEFOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 257,208	\$ 493,683
Additions and corrections to prior year taxes	<u>(1,295)</u>	<u>(2,361)</u>
Adjusted receivable, beginning of year	255,913	491,322
2019 ADJUSTED TAX ROLL	<u>477,762</u>	<u>927,421</u>
Total to be accounted for	733,675	1,418,743
Tax collections: Current tax year	(279,983)	(543,497)
Prior tax years	<u>(240,411)</u>	<u>(458,220)</u>
RECEIVABLE, END OF YEAR	<u>\$ 213,281</u>	<u>\$ 417,026</u>
RECEIVABLE, BY TAX YEAR		
2009	\$ 241	\$ 539
2010	380	812
2011	598	1,277
2012	623	1,329
2013	784	2,287
2014	927	2,704
2015	1,040	3,026
2016	1,228	2,917
2017	3,142	5,761
2018	6,539	12,450
2019	<u>197,779</u>	<u>383,924</u>
RECEIVABLE, END OF YEAR	<u>\$ 213,281</u>	<u>\$ 417,026</u>

Fiscal year 2019 General Fund property tax revenue of \$463,199 under the modified accrual basis of accounting is comprised of prior tax year collections of \$240,411 during fiscal year 2019 and 2018 tax year collections of \$222,788 during fiscal year 2018.

Fiscal year 2019 Debt Service Fund property tax revenue of \$882,376 under the modified accrual basis of accounting is comprised of prior tax year collections of \$458,220 during fiscal year 2019 and 2018 tax year collections of \$424,156 during fiscal year 2018.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11TAXES LEVIED AND RECEIVABLE (Continued)FOR THE YEAR ENDED DECEMBER 31, 2019

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land	\$ 43,002,842	\$ 39,557,131	\$ 39,539,427	\$ 37,244,813
Improvements	156,926,793	147,574,531	146,344,237	124,797,476
Personal property	13,845,418	18,812,031	18,481,009	19,600,049
Less exemptions	<u>(26,417,556)</u>	<u>(26,889,903)</u>	<u>(33,126,380)</u>	<u>(26,635,348)</u>
<b>TOTAL PROPERTY VALUATIONS</b>	<b><u>\$ 187,357,497</u></b>	<b><u>\$ 179,053,790</u></b>	<b><u>\$ 171,238,293</u></b>	<b><u>\$ 155,006,990</u></b>
TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.49500	\$ 0.49500	\$ 0.49500	\$ 0.57000
Maintenance tax rates*	<u>0.25500</u>	<u>0.26000</u>	<u>0.27000</u>	<u>0.24000</u>
TOTAL TAX RATES PER \$100 VALUATION	<b><u>\$ 0.75000</u></b>	<b><u>\$ 0.75500</u></b>	<b><u>\$ 0.76500</u></b>	<b><u>\$ 0.81000</u></b>
TAX ROLLS	<b><u>\$ 1,405,183</u></b>	<b><u>\$ 1,351,856</u></b>	<b><u>\$ 1,309,973</u></b>	<b><u>\$ 1,255,557</u></b>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>58.6%**</u>	<u>98.6 %</u>	<u>99.3 %</u>	<u>99.7 %</u>

\*Maximum tax rate approved by voters on September 14, 2002: without limitation

\*\*The District's taxes are usually levied in the fall and are not delinquent until after the following January 31.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS  
DECEMBER 31, 2019

<u>Due During Fiscal Years Ending December 31</u>	<u>Series 2013</u>		
	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 50,000	\$ 127,625	\$ 177,625
2021	50,000	125,625	175,625
2022	50,000	123,375	173,375
2023	50,000	121,125	171,125
2024	50,000	118,875	168,875
2025	50,000	116,625	166,625
2026	50,000	114,375	164,375
2027	50,000	112,125	162,125
2028	50,000	109,875	159,875
2029	50,000	107,500	157,500
2030	50,000	105,000	155,000
2031	50,000	102,500	152,500
2032	50,000	100,000	150,000
2033	50,000	97,500	147,500
2034	50,000	95,000	145,000
2035	625,000	78,125	703,125
2036	625,000	46,875	671,875
2037	625,000	15,625	640,625
TOTALS	<u>\$ 2,625,000</u>	<u>\$ 1,817,750</u>	<u>\$ 4,442,750</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
DECEMBER 31, 2019

<u>Due During Fiscal Years Ending December 31</u>	<u>Series 2014</u>		
	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 205,000	\$ 20,504	\$ 225,504
2021	200,000	15,745	215,745
2022	195,000	11,104	206,104
2023	190,000	6,580	196,580
2024	<u>185,000</u>	<u>2,173</u>	<u>187,173</u>
TOTALS	<u>\$ 975,000</u>	<u>\$ 56,106</u>	<u>\$ 1,031,106</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
DECEMBER 31, 2019

<u>Due During Fiscal Years Ending December 31</u>	<u>Series 2015</u>		
	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 50,000	\$ 106,662	\$ 156,662
2021	50,000	105,588	155,588
2022	50,000	104,387	154,387
2023	50,000	103,088	153,088
2024	50,000	101,712	151,712
2025	50,000	100,263	150,263
2026	50,000	98,738	148,738
2027	50,000	97,162	147,162
2028	50,000	95,538	145,538
2029	50,000	93,863	143,863
2030	50,000	92,138	142,138
2031	50,000	90,362	140,362
2032	50,000	88,562	138,562
2033	50,000	86,756	136,756
2034	50,000	84,925	134,925
2035	100,000	82,000	182,000
2036	125,000	77,500	202,500
2037	150,000	72,000	222,000
2038	575,000	57,500	632,500
2039	575,000	34,500	609,500
2040	575,000	11,500	586,500
TOTALS	<u>\$ 2,850,000</u>	<u>\$ 1,784,744</u>	<u>\$ 4,634,744</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
DECEMBER 31, 2019

<u>Due During Fiscal Years Ending December 31</u>	<u>Series 2016</u>		
	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 80,000	\$ 192,450	\$ 272,450
2021	95,000	190,700	285,700
2022	110,000	188,100	298,100
2023	120,000	184,650	304,650
2024	135,000	180,825	315,825
2025	355,000	171,700	526,700
2026	375,000	157,100	532,100
2027	395,000	141,700	536,700
2028	415,000	125,500	540,500
2029	435,000	108,500	543,500
2030	455,000	90,700	545,700
2031	480,000	72,000	552,000
2032	495,000	52,500	547,500
2033	520,000	32,200	552,200
2034	545,000	10,900	555,900
<b>TOTALS</b>	<b><u>\$ 5,010,000</u></b>	<b><u>\$ 1,899,525</u></b>	<b><u>\$ 6,909,525</u></b>

See accompanying independent auditor's report.



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
DECEMBER 31, 2019

<u>Due During Fiscal Years Ending December 31</u>	<u>Series 2019</u>		
	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 50,000	\$ 142,187	\$ 192,187
2021	50,000	139,437	189,437
2022	50,000	136,688	186,688
2023	50,000	133,937	183,937
2024	50,000	131,187	181,187
2025	50,000	129,062	179,062
2026	50,000	127,562	177,562
2027	50,000	126,062	176,062
2028	50,000	124,562	174,562
2029	50,000	123,062	173,062
2030	50,000	121,500	171,500
2031	50,000	119,875	169,875
2032	50,000	118,219	168,219
2033	50,000	116,532	166,532
2034	50,000	114,813	164,813
2035	50,000	113,063	163,063
2036	50,000	111,282	161,282
2037	50,000	109,469	159,469
2038	275,000	103,406	378,406
2039	300,000	92,625	392,625
2040	325,000	80,906	405,906
2041	665,000	62,344	727,344
2042	665,000	37,407	702,407
2043	665,000	12,469	677,469
TOTALS	<u>\$ 3,795,000</u>	<u>\$ 2,627,656</u>	<u>\$ 6,422,656</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
DECEMBER 31, 2019

<u>Due During Fiscal Years Ending December 31</u>	<u>Annual Requirements for All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2020	\$ 435,000	\$ 589,428	\$ 1,024,428
2021	445,000	577,095	1,022,095
2022	455,000	563,654	1,018,654
2023	460,000	549,380	1,009,380
2024	470,000	534,772	1,004,772
2025	505,000	517,650	1,022,650
2026	525,000	497,775	1,022,775
2027	545,000	477,049	1,022,049
2028	565,000	455,475	1,020,475
2029	585,000	432,925	1,017,925
2030	605,000	409,338	1,014,338
2031	630,000	384,737	1,014,737
2032	645,000	359,281	1,004,281
2033	670,000	332,988	1,002,988
2034	695,000	305,638	1,000,638
2035	775,000	273,188	1,048,188
2036	800,000	235,657	1,035,657
2037	825,000	197,094	1,022,094
2038	850,000	160,906	1,010,906
2039	875,000	127,125	1,002,125
2040	900,000	92,406	992,406
2041	665,000	62,344	727,344
2042	665,000	37,407	702,407
2043	665,000	12,469	677,469
<b>TOTALS</b>	<b>\$ 15,255,000</b>	<b>\$ 8,185,781</b>	<b>\$ 23,440,781</b>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11  
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>(1)</u>	<u>(2)</u>
Bond Series:	2013	2014
Interest Rate:	3.50% to 5.00%	2.35%
Dates Interest Payable:	March 1/ September 1	March 1/ September 1
Maturity Dates:	March 1, 2020/2037	March 1, 2020/2024
Bonds Outstanding at Beginning of Current Year	\$ 2,675,000	\$ 1,185,000
Less Retirements	<u>(50,000)</u>	<u>(210,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 2,625,000</u>	<u>\$ 975,000</u>
Current Year Interest Paid:	<u>\$ 129,250</u>	<u>\$ 25,380</u>

Bond Descriptions and Original Amount of Issue

- (1) Harris County Municipal Utility District No. 11 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2013 (\$2,875,000)
- (2) Harris County Municipal Utility District No. 11 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2014 (\$1,915,000)

Paying Agent/Registrar

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

<u>Bond Authority</u>	<u>Construction Bonds</u>	<u>Other Bonds</u>	<u>Construction &amp; Refunding Bonds</u>
Amount Authorized by Voters:	\$ 7,040,000	\$ 0	\$ 17,000,000
Amount Issued:	7,040,000		16,997,137
Remaining to be Issued:	0		2,863

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11  
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT, (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>(3)</u>	<u>(4)</u>	<u>(5)</u>	<u>Totals</u>
Bond Series:	2015	2016	2019	
Interest Rate:	2.00% to 4.00%	2.00% to 4.00%	3.00% to 5.50%	
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	March 1/ September 1	
Maturity Dates:	March 1, 2020/2040	March 1, 2020/2034	March 1, 2020/2043	
Bonds Outstanding at Beginning of Current Year	\$ 2,900,000	\$ 5,080,000	\$	\$ 11,840,000
Add Bonds Sold			3,795,000	3,795,000
Less Retirements	<u>(50,000)</u>	<u>(70,000)</u>	<u></u>	<u>(380,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 2,850,000</u>	<u>\$ 5,010,000</u>	<u>\$ 3,795,000</u>	<u>\$ 15,255,000</u>
Current Year Interest Paid:	<u>\$ 107,662</u>	<u>\$ 193,950</u>	<u>\$ 83,745</u>	<u>\$ 539,987</u>

Bond Descriptions and Original Amount of Issue

- (3) Harris County Municipal Utility District No. 11 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2015 (\$3,050,000)
- (4) Harris County Municipal Utility District No. 11 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2016 (\$5,200,000)
- (5) Harris County Municipal Utility District No. 11 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2019 (\$3,795,000)

Paying Agent/Registrar

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

Net Debt Service Fund deposits and investments balances as of December 31, 2019: \$1,192,125  
Average annual debt service payment for remaining term of all debt: 976,699

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
GENERAL FUND

FOR YEARS ENDED DECEMBER 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
<b>REVENUES</b>										
Property taxes	\$ 463,199	\$ 458,054	\$ 371,368	\$ 311,441	\$ 294,031	28.4 %	29.1 %	25.7 %	21.0 %	21.5 %
Water service	470,239	472,217	464,413	468,491	448,619	28.8	29.9	32.1	31.7	32.7
Sewer service	380,335	379,857	373,618	375,644	361,327	23.3	24.1	25.8	25.3	26.4
Surface water fees	100,739	100,517	101,902	94,256	87,762	6.2	6.4	7.0	6.3	6.4
Penalty	26,256	19,813	26,010	27,161	27,764	1.6	1.3	1.8	1.8	2.0
Tap connection and sewer inspection fees	20,154	0	0	120,352	72,857	1.2	0.0	0.0	8.1	5.3
Sales and Use Taxes	55,146	58,156	49,297	54,160	51,752	3.4	3.7	3.4	3.6	3.8
Interest on deposits and investments	83,600	64,503	27,664	10,763	2,349	5.1	4.1	1.9	0.7	0.2
Other revenues	32,001	21,430	33,090	22,517	22,785	2.0	1.4	2.3	1.5	1.7
<b>TOTAL REVENUES</b>	<b>1,631,669</b>	<b>1,574,547</b>	<b>1,447,362</b>	<b>1,484,785</b>	<b>1,369,246</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>EXPENDITURES</b>										
Current:										
Professional fees	225,982	193,490	193,915	198,890	190,471	13.8	12.3	13.4	13.4	13.9
Contracted services	108,053	89,479	89,454	91,095	93,150	6.6	5.7	6.2	6.1	6.8
Utilities	89,498	112,296	97,304	121,415	108,900	5.5	7.1	6.7	8.2	8.0
Groundwater pumpage fees	55,369	75,935	63,916	95,793	110,244	3.4	4.8	4.4	6.5	8.1
Repairs and maintenance	548,570	242,708	233,205	425,637	307,360	33.7	15.4	16.2	28.6	22.4
Other operating expenditures	167,406	128,651	132,430	140,571	149,874	10.3	8.2	9.1	9.5	10.9
Security service	69,220	68,832	67,152	67,149	66,885	4.2	4.4	4.6	4.5	4.9
Administrative expenditures	123,942	115,503	112,878	117,452	121,997	7.6	7.3	7.8	7.9	8.9
Capital outlay	267,340	125,836	276,560	124,208	50,006	16.4	8.0	19.1	8.4	3.7
<b>TOTAL EXPENDITURES</b>	<b>1,655,380</b>	<b>1,152,730</b>	<b>1,266,814</b>	<b>1,382,210</b>	<b>1,198,887</b>	<b>101.5</b>	<b>73.2</b>	<b>87.5</b>	<b>93.1</b>	<b>87.6</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>\$ (23,711)</b>	<b>\$ 421,817</b>	<b>\$ 180,548</b>	<b>\$ 102,575</b>	<b>\$ 170,359</b>	<b>(1.5) %</b>	<b>26.8 %</b>	<b>12.5 %</b>	<b>6.9 %</b>	<b>12.4 %</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>1,199</b>	<b>1,191</b>	<b>1,183</b>	<b>1,192</b>	<b>1,158</b>					
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>1,193</b>	<b>1,186</b>	<b>1,177</b>	<b>1,184</b>	<b>1,152</b>					

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
DEBT SERVICE FUND  
FOR YEARS ENDED DECEMBER 31

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>										
Property taxes	\$ 882,376	\$ 841,335	\$ 883,000	\$ 905,922	\$ 856,722	94.0 %	95.0 %	96.7 %	95.9 %	96.4 %
Penalty and interest	22,826	25,241	21,179	23,989	24,454	2.4	2.8	2.3	2.5	2.7
Accrued interest on bonds received at date of sale	5,184	0	0	11,495	7,411	0.6	0.0	0.0	1.2	0.8
Interest on deposits and investments	27,842	19,174	9,123	3,928	817	3.0	2.2	1.0	0.4	0.1
<b>TOTAL REVENUES</b>	<u>938,228</u>	<u>885,750</u>	<u>913,302</u>	<u>945,334</u>	<u>889,404</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<b>EXPENDITURES</b>										
Current:										
Professional fees	8,262	11,094	10,976	9,928	10,084	0.9	1.3	1.2	1.1	1.1
Contracted services	30,978	30,237	27,386	27,228	27,876	3.3	3.4	3.0	2.9	3.1
Other expenditures	4,258	8,373	5,918	4,155	5,527	0.5	0.9	0.6	0.4	0.6
Debt service:										
Principal retirement	380,000	370,000	425,000	325,000	270,000	40.5	41.8	46.5	34.4	30.4
Interest and fees	541,987	467,480	527,324	429,096	492,888	57.7	52.8	57.8	45.3	55.5
<b>TOTAL EXPENDITURES</b>	<u>965,485</u>	<u>887,184</u>	<u>996,604</u>	<u>795,407</u>	<u>806,375</u>	<u>102.9</u>	<u>100.2</u>	<u>109.1</u>	<u>84.1</u>	<u>90.7</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<u>\$ (27,257)</u>	<u>\$ (1,434)</u>	<u>\$ (83,302)</u>	<u>\$ 149,927</u>	<u>\$ 83,029</u>	<u>(2.9) %</u>	<u>(0.2) %</u>	<u>(9.1) %</u>	<u>15.9 %</u>	<u>9.3 %</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSDECEMBER 31, 2019

Complete District Mailing Address: Harris County Municipal Utility District No. 11  
 c/o Coats Rose, P.C.  
 9 Greenway Plaza, Suite 1000  
 Houston, Texas 77046

District Business Telephone No.: 713-651-0111

Submission date of the most recent District Registration Form: May 22, 2019

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

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Kenneth D. Vasina c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/06/17- 5/01/21	\$ 7,200	\$ 5,114	President/ Investment Officer
Cynthia C. Ratcliff c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/04/19- 5/06/23	4,350	3,383	Vice President
Stella L. Morris c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/04/19- 5/06/23	5,400	2,737	Secretary/ Treasurer
Marvin L. Zahradnik c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/06/17- 5/01/21	4,500	3,113	Assistant Sec./Treas.
Johnnie Emberton c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/06/17- 5/01/21	0	0	Assistant Vice President

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

DECEMBER 31, 2019

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Coats Rose, P.C. 9 Greenway Plaza, Suite 1100 Houston, Texas 77046	2/02/82	\$ 161,904 78,302 Bonds	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 N. Loop West, Suite 600 Houston, Texas 77008	3/06/96	4,009	Delinquent Tax Attorney
Claudia Redden & Associates, L.L.C. P.O. Box 11890 Spring, Texas 77391	9/14/78	25,545	Bookkeeper
Water District Management Co., Inc. P.O. Box 579 Spring, Texas 77383	3/30/89	858,942	Operator
A&S Engineers, Inc. 10377 Stella Link Road Houston, Texas 77025	1/02/13	198,643 40,519 Bonds	Engineer
Bob Leared 11111 Katy Freeway, Suite 725 Houston, Texas 77079	7/30/76	29,778 2,500 Bonds	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	10,142	Central Appraisal District
Masterson Advisors, LLC 3 Greenway Plaza, Suite 1100 Houston, Texas 77046	5/23/18	78,613 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	12/16/93	10,950 750 Bonds	Independent Auditor

See accompanying independent auditor's report.



**APPENDIX B**  
**Specimen Municipal Bond Insurance Policy**



## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

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

**APPENDIX C**  
**Accreted Values of Premium Compound Interest Bonds**

Date	Premium Compound Interest Bond 0.85% 3/1/2022	Premium Compound Interest Bond 0.91% 3/1/2023	Premium Compound Interest Bond 1.05% 3/1/2024	Premium Compound Interest Bond 1.24% 3/1/2025
12/3/2020	4,947.50	4,899.10	4,832.95	4,744.40
3/1/2021	4,957.75	4,910.00	4,845.35	4,758.75
9/1/2021	4,978.80	4,932.35	4,870.75	4,788.25
3/1/2022	5,000.00	4,954.80	4,896.35	4,817.95
9/1/2022		4,977.35	4,922.05	4,847.80
3/1/2023		5,000.00	4,947.90	4,877.85
9/1/2023			4,973.85	4,908.10
3/1/2024			5,000.00	4,938.55
9/1/2024				4,969.15
3/1/2025				5,000.00