

OFFICIAL STATEMENT DATED OCTOBER 19, 2020

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

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

NEW ISSUE - Book-Entry-Only

**Ratings: S&P Global Ratings (AGM Insured) . . . "AA" (stable outlook)
S&P Global Ratings (Underlying) . . . "A" (stable outlook)
See "BOND INSURANCE" and "RATINGS" herein**

**\$5,700,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
(A Political Subdivision of the State of Texas, located
within Harris County, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2020**

Dated: November 1, 2020

Due: September 1, as shown below

Principal of the Bonds is payable by the paying agent/registrant, initially The Bank of New York Mellon Trust Company, N. A., in Dallas, Texas, or any successor paying agent/registrant (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from November 1, 2020, and is payable on March 1, 2021 (four-month interest payment), and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer").



**MATURITY SCHEDULE
CUSIP Prefix (a) 413876**

<u>Principal Amount</u>	<u>Maturity (Due September 1)</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>	<u>Principal Amount</u>	<u>Maturity (Due September 1)</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>
\$ 45,000	2021	3.00%	0.40%	NM1	\$775,000	2026(c)	2.00%	1.06%	NH2
575,000	2022	3.00	0.46	ND1	805,000	2027(c)	2.00	1.22	NJ8
590,000	2023	3.00	0.57	NE9	825,000	2028(c)	2.00	1.35	NK5
610,000	2024	3.00	0.71	NF6	840,000	2029(c)	2.00	1.49	NL3
635,000	2025	3.00	0.88	NG4					

- (a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor (as defined herein), nor the Underwriters (as defined herein) take any responsibility for the accuracy of CUSIP numbers.
- (b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriters (as defined herein). Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriters for public offerings, and which subsequently may be changed. Accrued interest from November 1, 2020, will be added to the price.
- (c) The Bonds maturing on and after September 1, 2026, are subject to redemption prior to maturity at the option of Harris County Municipal District No. 230 (the "District"), as a whole or in part, on September 1, 2025, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which as been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and the issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

The proceeds of the sale of the Bonds, plus certain other lawfully available funds of the District, will be applied to refund certain outstanding bonds of the District and to pay the costs of issuance of the Bonds. See "PLAN OF FINANCING — Use of Bond Proceeds." The Bonds, when issued, constitute valid and binding obligations of the District, and are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS – Source of Payment." Neither the State of Texas, the City of Houston, Texas, Harris County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Houston, Texas, or Harris County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

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 and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as Underwriters' Counsel. Delivery of the Bonds through DTC in book-entry form is expected on or about November 24, 2020.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any 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, resolutions, contracts, audits, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027 upon payment of duplication costs.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or 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 the Official Statement until delivery of the Bonds to the Underwriters (as hereinafter defined), and thereafter only as described under "OFFICIAL STATEMENT - Updating of Official Statement."

The Underwriters (defined below) have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Neither the District nor the Underwriters make any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "INVESTMENT CONSIDERATIONS" in this Official Statement, as well as additional factors beyond the District's control. The important risk factors and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

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

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

SAMCO Capital Markets, Inc. and RBC Capital Markets, LLC (“RBC”) (together referred to herein as the “Underwriters”) have agreed, pursuant to the terms and conditions contained in a bond purchase agreement, to purchase the Bonds from the District for \$5,946,114.70 (an amount equal to the principal amount of the Bonds, less an Underwriters’ discount of \$41,496.00, plus an original issue premium on the Bonds of \$287,610.70), plus accrued interest on the Bonds to the date of delivery.

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

RBC has provided the following information for inclusion in this Official Statement: RBC and its respective affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBC and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBC and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the District. RBC and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District. RBC and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriters on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. Otherwise, the District has no understanding with the Underwriters regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Underwriters at the yields specified on the cover page. Information concerning reoffering yields or prices is the responsibility of the Underwriters.

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

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

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon 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 acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

On 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 \$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
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 (filed by AGL with the SEC on August 7, 2020).

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

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

Miscellaneous Matters

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

BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claims 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 "BOND INSURANCE" and "RATINGS" herein.

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 Underwriters have 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 "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

RATINGS

S&P Global Ratings ("S&P") is a business unit of Standard & Poor's Financial Services LLC. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest ratings).

The Bonds have been assigned an insured rating of "AA" (stable outlook) from S&P based upon the issuance of the Policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by S&P is "A" (stable outlook).

An explanation of the significance of the foregoing ratings may only be obtained from S&P. The foregoing ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P, if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any ratings assigned the Bonds other than the ratings of S&P.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer Harris County Municipal Utility District No. 230 (the “District”), a political subdivision of the State of Texas, is located in Harris County, Texas. See “THE DISTRICT.”

The Issue Harris County Municipal Utility District No. 230 Unlimited Tax Refunding Bonds, Series 2020, in the aggregate principal amount of \$5,700,000 are dated November 1, 2020. Interest accrues from November 1, 2020, at the rates shown on the cover hereof and is payable on March 1, 2021 (four-month interest payment), and on each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. The Bonds mature on September 1 in each of the years and in the amounts shown on the cover page of this Official Statement. The Bonds maturing on and after September 1, 2026, are subject to redemption, in whole or in part, on September 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See “THE BONDS.” The Bonds will be issued pursuant to a Bond Resolution (the “Bond Resolution”) adopted by the Board of Directors of the District. The Bonds are being issued under the authority of Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, and City of Houston Ordinance No. 97-416.

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

Source of Payment Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See “THE BONDS - Source of Payment,” “TAX DATA - Tax Rate Calculations, and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments - Maximum

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

Other Characteristics The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

Use of Proceeds Proceeds of the sale of the Bonds, together with certain lawfully available funds of the District, will be applied to refund \$1,475,000 of the principal amount of the District’s Unlimited Tax Refunding Bonds, Series 2012 (the “Series 2012 Refunding Bonds”), and \$4,225,000 of the principal amount of the District’s Unlimited Tax Refunding Bonds, Series 2013 (the “Series 2013 Refunding Bonds”). Collective reference is made in this Official Statement to the aforementioned bonds that are refunded by the sale of the Bonds as the “Refunded Bonds.” The proceeds of the sale of the Bonds will also be used to pay the costs of issuance of the Bonds. The sale of the Bonds and the refunding of the Refunded Bonds will reduce the District’s debt service payments, and result in a present value savings in the District’s debt service expense.

Payment Record In addition to the Series 2012 Refunding Bonds and Series 2013 Refunding Bonds, the District has issued Unlimited Tax Bonds, Series 1999 (the “Series 1999 Bonds”), Unlimited Tax Bonds, Series 2000 (the “Series 2000 Bonds”); Unlimited Tax Bonds, Series 2001 (the “Series 2001 Bonds”); Unlimited Tax Bonds, Series 2003 (the “Series 2003 Bonds”); Unlimited Tax Bonds, Series 2009 (the “Series 2009 Bonds”); Unlimited Tax Bonds, Series 2011 (the “Series 2011 Bonds”); and Unlimited Tax Bonds, Series 2011A (the “Series 2011A Bonds”) all of which Bonds were issued to finance the acquisition and construction of the District’s water supply and distribution, wastewater collection and treatment and storm drainage system (the “System”). The District also has issued Unlimited Tax Bonds, Series 2010 (the “Series 2010 Bonds”) to finance the acquisition and construction of recreational facilities. The District also has issued Unlimited Tax Refunding Bonds, Series 2006 (the “Series 2006 Refunding Bonds”); Unlimited Tax Refunding Bonds, Series 2010 (the “Series 2010 Refunding Bonds”); Unlimited Tax Refunding Bonds, Series 2015 (the “Series 2015 Refunding Bonds”); Unlimited Tax Refunding Bonds, Series 2017 (the “Series 2017 Refunding Bonds”); and Unlimited Tax Refunding Bonds, Series 2018 (the “Series 2018 Refunding Bonds”) to refund portions of the outstanding principal amount of bonds previously issued by the District. Collective reference is made in this Official Statement to all of such bonds that have been previously issued by the District as the “Prior Bonds.” Prior to the issuance of the Bonds, the principal amount of the Prior

Bonds that has not been previously retired by the District is \$17,650,000 (the “Outstanding Bonds”). After issuance of the Bonds, the aggregate principal amount of the District's Outstanding Bonds not previously paid by the District, less the Refunded Bonds (the “Remaining Outstanding Bonds”) will be \$11,950,000 and the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be \$17,650,000. See “DISTRICT DEBT - Debt Service Requirement Schedule,” “INVESTMENT CONSIDERATIONS - Future Debt” and “THE SYSTEM.” The District has timely made all payments of principal of and interest on its Prior Bonds.

Qualified Tax-Exempt Obligations

The District has designated the Bonds as “qualified tax-exempt obligations.” See “TAX MATTERS - Qualified Tax-Exempt Obligations.”

Authorized But Unissued Bonds

\$5,408,000 in bonds for waterworks, wastewater and drainage facilities and \$1,800,000 in bonds for parks and recreational facilities will remain authorized but unissued after issuance of the Bonds. See “THE BONDS - Authority for Issuance” and “Issuance of Additional Debt.” In addition to the facilities that the District has financed with portions of the proceeds of the sale of the Prior Bonds, the District expects to finance the acquisition or construction of additional water distribution, wastewater collection and storm drainage/detention facilities and recreational facilities with portions of the proceeds of the sale of its bonds, if any, to be issued by the District in the future. See “INVESTMENT CONSIDERATIONS - Future Debt” and “THE SYSTEM.”

Municipal Bond Insurance

Assured Guaranty Municipal Corp. (“AGM”). See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS.”

Municipal Bond Ratings

S&P Global Ratings (AGM Insured).....“AA” (stable outlook). S&P Global Ratings (Underlying Rating).....“A”. See “BOND INSURANCE,” “BOND INSURANCE RISK FACTORS” and “RATINGS.”

Bond Counsel

Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See “LEGAL MATTERS” and “TAX MATTERS.”

Verification Agent

Robert Thomas, CPA, LLC. See “VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS.”

THE DISTRICT

Description

Harris County Municipal Utility District No. 230 was created by the Texas Water Commission, now the Texas Commission on Environmental Quality (the “TCEQ”), in 1983, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District contains approximately 527.96 acres of land. The District is located entirely within

Harris County, Texas, approximately 20 miles northwest of the central business district of the City of Houston, Texas. The District is located partially within the extraterritorial jurisdiction and partially within the limited purpose jurisdiction of the City of Houston and entirely within the Cypress-Fairbanks Independent School District. State Highway 249 approximately bisects the District from north to south and Cypresswood Drive approximately bisects the District from east to west. The District is bounded on the south by Grant Road. See “THE DISTRICT - Authority” and - “Description,” “AERIAL PHOTOGRAPH OF THE DISTRICT,” and “APPENDIX A - LOCATION MAP.”

Development of the District

The land located within the District has been developed to date for single-family residential, townhome, multi-family residential and commercial usage. As of September 1, 2020, the District contained a total of 766 single-family homes and townhomes that have been constructed on all of the 766 total lots that have been developed within the District (including 691 completed single-family homes and 75 completed townhomes), all 766 of which homes and townhomes have been sold to home purchasers. Above-ground improvements that have been constructed to date within commercial/multi-family residential reserves that have been developed within the District include a total of approximately 1,619,795 square feet of completed building area contained in commercial and office/medical buildings and a total of 2,051 completed apartment units. In addition, an approximately 10,500 square foot Kiddie Academy is currently under construction on approximately 1.4 acres of land within the District with completion anticipated by December 2020.

The development of approximately 430.5 of the approximately 527.96 acres located within the District is complete. Such acres have been developed into 766 single-family residential lots, including 75 townhome lots (a total of approximately 187.1 acres) in the residential subdivisions known as Mandolin Village, Sections 1 through 4, Mandolin Park, Sections 1 and 2, the Mandolin Village Townhomes, Grants Trace and Fairlane Village; and a total of approximately 243.4 acres of commercial/multi-family residential reserves, including the completion of underground water distribution, wastewater collection and storm sewer facilities and street paving to serve the single-family residential and townhome lots; and trunk underground water distribution, wastewater collection and storm sewer facilities and street paving to the perimeters of the commercial/multi-family reserves.

Commercial, office/medical, warehouse, and hotel establishments totaling approximately 1,619,795 square feet of building area have been constructed on approximately 147.76 acres located within the District include the following:

Kroger's, Lowe's Home Improvement, office and medical buildings, Grant Palace Strip Center, Cy-Creek Plaza, Mandolin Square, multiple retail shopping centers, freestanding buildings including restaurants, and a hotel. An approximately 10,500 square foot Kiddie Academy is currently under construction on approximately 1.4 acres of land within the District with completion anticipated by December 2020.

Completed multi-family improvements located within the District (totaling 2,051 units on approximately 95.6 acres) include the 384-unit Villages of Cypress Creek Apartments, 384-unit Mandolin Apartments, 363-unit Palazzo at Cypresswood Apartments, 336-unit Highpoint at Cypress Apartments, 324-unit The Lakes at Cypresswood Apartment Homes, and 260-unit Discovery at Mandolin Apartments.

As is described under the immediately following caption "Developers and Principal Land Owners," approximately 60.16 acres located within the District on which an approximately 420,724 office building/parking structure has been constructed are owned by Greenwood/MILP (hereinafter defined). Upon successful petition by Greenwood (hereinafter defined), Harris County has created a reinvestment zone over such approximately 60.16 acres of property inside the District boundaries. See "TAX DATA - Tax Abatement in the District." Greenwood/MILP also currently owns 26.72 acres located within the District upon which no above-ground improvements have been constructed. The District cannot represent when, or whether any taxable above-ground improvements might be constructed on any of such land owned by Greenwood/MILP.

Approximately 7.4 acres of land located within the District that have been developed with trunk underground water distribution, wastewater collection and storm sewer facilities to the perimeter of such property and are available for the construction of above-ground improvements are owned by another party. The District cannot represent when, or whether, any taxable above-ground improvements might be constructed on any of such land.

Approximately 34.8 acres contained within the platted residential and commercial acreage of the District consist of pipeline, road and drainage channel rights-of-way, detention pond, water plant and wastewater treatment plant sites, or are otherwise not available for future development. See "FUTURE DEVELOPMENT."

The District has financed the acquisition or construction of certain facilities, including a water plant, wastewater treatment plant and a lift station, force main, and water line extension constructed within the right-of-way of Cypresswood Drive, excavation of drainage ditch K-139-00,

phases 1 and 2 of a storm water detention basin; and underground water distribution, wastewater collection and storm drainage facilities to serve Lowe's Home Improvement Center; Mandolin Village, Sections 1 through 4, Mandolin Park, Sections 1 and 2, the Mandolin Village Townhomes, Fairlane Village, Grants Trace, Chasewood Crossing, Lakes at Cypresswood Apartments, Discovery at Mandolin Apartments, Villages of Cypress Creek Apartments, recreational facilities, and other facilities, with the proceeds of the sale of the Prior Bonds. In addition to the facilities that the District has financed with portions of the proceeds of the sale of the Prior Bonds, the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention and recreational facilities with portions of the proceeds of the sale of its bonds, if any, to be issued by the District in the future. See "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM."

Developers and Principal Land Owners

The current developers of land within the District include the related parties of Greenwood Properties, L.P. ("Greenwood"), a Texas limited partnership and Mandolin Investments, L.P. ("MILP"), a Texas limited partnership (Greenwood and MILP, collectively "Greenwood/MILP"). Greenwood/MILP currently own approximately 60.16 acres of land within the District upon which an approximately 420,724 square foot office building has been constructed as Chasewood III building. Upon successful petition by Greenwood, Harris County has created a reinvestment zone over such approximately 60.16 acres of property inside the District boundaries. See "TAX DATA - Tax Abatement in the District." Greenwood/MILP also currently owns 26.72 acres located within the District upon which no above-ground improvements have been constructed. The District cannot represent when, or whether any taxable above-ground improvements might be constructed on any of such land owned by Greenwood/MILP. In addition to such approximately 26.72 acres, 9950 Cypresswood, L.P. ("Cypresswood"), a Texas joint venture, owns certain developed properties within the District, including the approximately 30,972 square foot Cypresswood One office building located on an approximate 2.1 acre tract located within the District. Don E. Hand is a principal in Greenwood/MILP, Cypresswood, Chasewood Crossing L.P. ("Chasewood Crossing"), a Texas limited partnership, Chasewood Crossing II, L.P., a Texas limited partnership ("Chasewood II") and Chasewood Crossing III, L.L.C. ("Chasewood Crossing III"). Chasewood Crossing, Chasewood Crossing II and Chasewood Crossing III are hereinafter collectively referred to as "Chasewood." Chasewood Crossing is the owner of the approximately 300,942 square foot Chasewood Crossing I office

building/parking structure that has been constructed on approximately 4.6 acres located within the District and Chasewood Crossing II is the owner of the approximately 293,118 square foot Chasewood Crossing II office building/parking structure has been constructed on another approximately 4.3 acre tract located within the District.

The largest component of the District's 2020 tax roll consists of the land and improvements located within the District owned by 13801 Napoli LLC, the owner of the 363-unit Cypresswood Place Apartments within the District. The 2020 Assessed Valuation of such property comprised approximately 9.10% of the District's total 2020 Assessed Valuation. The second largest component of the District's 2020 tax roll consists of the land and improvements owned by BR HR Cypress Creek LLC, the owner of the 384-unit Villages of Cypress Creek Apartments, the 2020 Assessed Valuation of which property comprised approximately 7.89% of the District's total 2020 Assessed Valuation. The third largest component of the District's 2020 tax roll consists of the land and improvements owned by BRE Highpoint MF Owner LP, the owner of the 336-unit Highpoint at Cypresswood Apartments within the District. The 2020 Assessed Valuation of such property comprised approximately 7.63% of the District's total 2020 Assessed Valuation. The fourth largest component of the District's 2020 tax roll consists of the land, improvements and personal property owned by Greenwood. The 2020 Assessed Valuation of such property comprised approximately 7.10% of the District's total 2020 Assessed Valuation. The District and Greenwood entered into a tax abatement agreement on August 1, 2018, for a period of ten years. The value of the property in the tax abatement zone is \$6,730,647. After applying the District's agreement with Greenwood, the value in the zone that will be subject to taxation by the District is \$3,365,323. See "TAX DATA - Tax Abatement in the District." (The 2020 Assessed Valuation of the land and commercial improvements located within the District owned by Greenwood, Chasewood, MILP and Cypresswood totaled \$75,892,816 and comprised approximately 13.53% of the District's total 2020 Assessed Valuation). The fifth largest component of the District's 2020 tax roll consists of the land, improvements and personal property owned by Strata Mandolin, LLC, the owner of the 384-unit Mandolin Apartment Homes within the District. The 2020 Assessed Valuation of such property comprised approximately 6.87% of the District's total 2020 Assessed Valuation. No other owner of property located within the District owns property the 2020 Assessed Valuation of which exceeded 5.91% of the District's total 2020 Assessed Valuation. The District's ten principal taxpayers in 2020 owned property located in the District the aggregate Assessed Valuation of which comprised approximately 58.33% of the District's total 2020

Assessed Valuation. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments - Principal Landowners’ Obligations to the District,” and “TAX DATA - Principal 2020 Taxpayers.”

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

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED “INVESTMENT CONSIDERATIONS.”

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2020 Assessed Valuation		\$561,117,795(a)
(As of January 1, 2020)		
See "TAX DATA" and "TAXING PROCEDURES."		
Direct Debt:		
Remaining Outstanding Bonds		\$ 11,950,000
The Bonds		<u>5,700,000</u>
Total		\$ 17,650,000(b)
Estimated Overlapping Debt		<u>\$ 34,418,961(b)</u>
Total Direct and Estimated Overlapping Debt		<u>\$ 52,068,961(b)</u>
Direct Debt Ratio:		
: as a percentage of 2020 Assessed Valuation		3.15%
Direct and Estimated Overlapping Debt Ratio		
: as a percentage of 2020 Assessed Valuation		9.28%
Debt Service Fund Balance Estimated at Delivery of the Bonds		\$ 1,993,152(c)
General Fund Balance at September 14, 2020		\$ 4,165,923(d)
2019 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax	\$0.33	
Maintenance tax	<u>0.15</u>	
Total		\$0.48/\$100 A.V.(e)
2020 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax	\$0.31	
Maintenance Tax	<u>0.15</u>	
Total		\$0.46/\$100 A.V.(e)
Average Percentage of Total Tax Collections (2009-2018 Levies)		99.95%
(As of September 30, 2020)		
Percentage of Collection of 2019 Tax Levy		99.71%
(As of September 30, 2020)		
Average Annual Debt Service Requirements on the Bonds and the		
Remaining Outstanding Bonds (2021-2034)		\$ 1,583,340
Maximum Annual Debt Service Requirement on the Bonds and the		
Remaining Outstanding Bonds (2032)		\$ 1,752,000
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual		
Debt Service Requirements on the Bonds and the Remaining Outstanding Bonds		
(2021-2034) at 95% Tax Collections		
Based Upon 2020 Assessed Valuation		\$0.30

Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual
 Debt Service Requirement on the Bonds and the Remaining Outstanding Bonds
 (2032) at 95% Tax Collections
 Based Upon 2020 Assessed Valuation \$0.33

Single-Family Homes

766 (including 691 completed single-family homes and 75 completed townhomes)

Commercial and Office/Medical Improvements

Approximately 1,619,795 Total Square Feet of Building Area

Under Construction

Approximately 10,500 square foot daycare

2,051 Completed Apartments

- 384-unit Mandolin Apartment Homes
- 384-unit Villages of Cypress Creek Apartments
- 324-unit The Lakes at Cypresswood Apartment Homes
- 260-unit Discovery at Mandolin Apartments
- 363-unit Palazzo at Cypresswood Apartments
- 336-unit Highpoint at Cypresswood Apartments

See “DEVELOPMENT OF THE DISTRICT” and “DEVELOPERS AND PRINCIPAL LAND OWNERS.”

- (a) As of January 1, 2020, and comprises the District's 2020 tax roll. Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District’s “Estimated Final Taxable Value with Hearing Loss” of such protested properties is \$36,271,756, which total is included in the amount of \$561,117,795. The Appraisal District has proposed the valuation of such protested properties to be \$41,951,423. The Appraisal District’s estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is \$6,413,627, which total is also included in the amount of \$561,117,795. The District is unable to predict the amount of the District’s final 2020 Assessed Valuation. Such final 2020 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2020.
- (b) See “DISTRICT DEBT.” In addition to the facilities that the District has financed with portions of the proceeds of the sale of the Prior Bonds, the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention and recreational facilities with portions of the proceeds of the sale of its bonds, if any, to be issued by the District in the future. See “INVESTMENT CONSIDERATIONS - Future Debt” and “THE SYSTEM.”
- (c) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. Such sum gives effect to the payment by the District of the entirety of its debt service requirements that were due for 2020 on the Outstanding Bonds and the contribution by the District of \$9,000 to the refunding of the Refunded Bonds. The District’s initial debt service payment on the Bonds, which consists of a four-month interest payment thereon, is due on March 1, 2021. See “DISTRICT DEBT - Debt Service Requirement Schedule.”
- (d) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the General Fund. Such fund balance also includes Contract Sales Tax Revenue that the District has received under the terms of a Strategic Partnership Agreement (the “SPA”) that the District has executed with the City of Houston (the “City”) pursuant to which the District is entitled to Contract Sales Tax Revenue payments generated from its 50% share of a 1% City sales tax imposed on merchandise sold in retail and commercial establishments located in the District. See “THE BONDS - Strategic Partnership.” Funds received by the District under the SPA are not pledged to the payment of the Bonds. The District has received such Contract Sales Tax Revenue and deposited same in the District’s General Fund in each of the District’s fiscal years ended June 30 since the receipt of the initial such payments in the District’s fiscal year ended June 30, 2003. See “APPENDIX B - ANNUAL FINANCIAL REPORT” of the District.

- (e) The District levied a total tax of \$0.48 per \$100 of Assessed Valuation for 2019, consisting of debt service and maintenance tax components of \$0.33 and \$0.15 per \$100 of Assessed Valuation, respectively, and has levied a debt service tax rate of \$0.31 per \$100 of Assessed Valuation and a maintenance tax of \$0.15 per \$100 of Assessed Valuation for 2020. As is stated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2019 tax levies of all units of government which levy taxes against the property located within the District plus the District's 2020 tax rate is \$2.689207 per \$100 of Assessed Valuation.

\$5,700,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
UNLIMITED TAX REFUNDING BONDS
SERIES 2020

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 230 (the “District”) of its Unlimited Tax 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 particularly Chapters 49 and 54, Texas Water Code, and Chapter 1207, Texas Government Code, as amended, City of Houston Ordinance No. 97-416, and a resolution authorizing issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”).

Included in this Official Statement are descriptions of the Bonds, the plan of financing, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

THE BONDS

General

The Bonds, in the aggregate principal amount of \$5,700,000 are dated November 1, 2020. Interest accrues from November 1, 2020, at the rates shown on the cover hereof and is payable on March 1, 2021 (four-month interest payment), and on each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. The Bonds mature on September 1 in each of the years and in the amounts shown on the cover page of this Official Statement. The Bonds are issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. The Bank of New York Mellon Trust Company, N.A., currently in Dallas, Texas, will act as the initial paying agent/registrar for the bonds together with any successor (the “Paying Agent/Registrar,” “Paying Agent,” or “Registrar”)

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

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial

Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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.

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or 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 to DTC.

Use of Certain Terms in Other Sections of this Official Statement

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

Assignments, Transfers and Exchanges

In the event the Book-Entry-Only system is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. Any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three business days after the receipt of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Redemption Provisions

The Bonds maturing on and after September 1, 2026, are subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given by the Registrar at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds within one maturity are to be redeemed, the Registrar shall select the Bonds to be redeemed by lot or other method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

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. In order to act as Registrar for the Bonds, any paying agent/registrar selected by the District shall be a national or state banking institution, organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority.

Authority for Issuance

District voters have authorized \$30,603,000 unlimited tax bonds for waterworks, sanitary sewer and drainage facilities and \$4,800,000 unlimited tax bonds for recreational facilities. Following the issuance of the Bonds, an aggregate of \$5,408,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities and \$1,800,000 principal amount of unlimited tax bonds for recreational facilities will remain authorized but unissued. See “Outstanding Bonds and Payment Record” and “Issuance of Additional Debt” below.

The Bonds are issued by the District pursuant to elections held within the District; the terms and provisions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution; City of Houston Ordinance No. 97-416; Chapters 49 and 54 of the Texas Water Code, as amended; and Chapter 1207, Texas Government Code, as amended.

Source of Payment

The Bonds (together with the Remaining Outstanding Bonds, as defined herein, and such additional tax bonds as may hereafter be issued by the District) are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, and Registrar fees. Tax proceeds, after deduction for collection costs, will be placed in the debt service fund and used solely to pay principal of and interest on the Bonds, on such additional bonds payable from taxes which may be issued, and Registrar fees.

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

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Texas Commission on Environmental Quality (the “TCEQ”), necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$30,603,000 unlimited tax bonds for water, sewer and

drainage facilities and \$4,800,000 unlimited tax bonds for parks and recreational facilities, and could authorize additional amounts. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ). Following the issuance of the Bonds, \$5,408,000 unlimited tax bonds for water, sewer and drainage facilities will remain authorized but unissued for the purpose of the acquisition and construction of facilities. Based on present engineering cost estimates, in the opinion of the District's consulting engineer, Dannenbaum Engineering Corporation (the "Engineer"), the \$5,408,000 authorized but unissued bonds will be adequate to finance the extension of water, wastewater, and storm drainage facilities and services to serve all of the remaining undeveloped portions of the District as is described in this Official Statement under the captions "DEVELOPMENT OF THE DISTRICT" and "FUTURE DEVELOPMENT." In addition to the facilities that the District has financed with portions of the proceeds of the sale of the Prior Bonds, the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention and recreational facilities with portions of the proceeds of the sale of its bonds, if any, to be issued by the District in the future. See "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM."

The District is authorized by statute to develop recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District adopted a master recreational facilities plan on April 3, 2006 (the "Master Recreational Facilities Plan"), and voters of the District approved the issuance of \$4,800,000 unlimited tax bonds for recreational facilities at an election held on November 7, 2006 (\$1,800,000 of which are currently authorized but unissued). The District issued the Series 2010 Bonds to finance the construction of recreational facilities. Before the District issues additional unlimited tax bonds for recreational facilities payable from taxes, the following actions are required: (a) approval of the recreational facilities project and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The outstanding principal amount of unlimited tax bonds for recreational facilities may not exceed an amount equal to one percent of the value of the taxable property in the District.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS - Future Debt."

Under certain circumstances the District also is authorized to construct, develop and maintain roads. It is not anticipated at this time that the District will participate in such activities.

No Arbitrage

The District certifies that based upon all facts and estimates now 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 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.

Annexation and Consolidation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the "City"), the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District.

However, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. See - “Strategic Partnership” below for a description of the strategic partnership agreement between the District and the City.

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.

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

In certain circumstances, the District may alter its boundaries to exclude land subject to taxation within the District that is not served by District facilities if the District simultaneously annexes land of equal acreage and value that may be practicably served by District facilities. No representation is made concerning the likelihood that the District would effect such a substitution of land.

Strategic Partnership

As of December 2, 2002, and as amended on December 19, 2011, the District entered into a strategic partnership agreement (the “Agreement”) with the City of Houston pursuant to Section 43.0751, Texas Local Government Code, whereby the commercial portion of the District was annexed into the City for limited purposes, while the balance of the District remains in the City’s extraterritorial jurisdiction. As a result of the Agreement, the City imposes its 1% sales and use taxes (but not its property taxes) within the area of limited purpose annexation, and remits one-half of the City’s 1% sales and use tax receipts from within the District (the “Contract Sales Tax Revenue”) to the District to be used for any lawful District purpose. In addition, for the 30-year term of the Agreement, the City agrees not to annex the District for general purposes, thus, without additional agreement by the District, delaying for at least 30 years from the date of the Agreement any dissolution of the District and assumption of its assets and liabilities (including the Bonds) by the City. The City and the District may amend the Agreement at any time. Funds received by the District under the Agreement are not pledged to the payment of the Bonds. The District has received such Contract Sales Tax Revenue and deposited same in the District’s General Fund in each of the District’s fiscal years ended June 30 since the receipt of the initial such payments in the District’s fiscal year ended June 30, 2003. See “APPENDIX B - ANNUAL FINANCIAL REPORT” of the District.

Registered Owners' Remedies

Pursuant to Texas law, the Bond Resolution provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default,

nor does it provide for the appointment of a trustee 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. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See "Bankruptcy Limitation to Registered Owners' Rights" below.

Bankruptcy Limitation to Registered Owners' Rights

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

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

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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. Because the Bond Resolution does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.

PLAN OF FINANCING

Use of Bond Proceeds

Proceeds of the sale of the Bonds, together with certain lawfully available funds of the District, will be applied to refund \$1,475,000 of the principal amount of the District’s Unlimited Tax Refunding Bonds, Series 2012 (the “Series 2012 Refunding Bonds”), and \$4,225,000 of the principal amount of the District’s Unlimited Tax Refunding Bonds, Series 2013 (the “Series 2013 Refunding Bonds”). Collective reference is made in this Official Statement to the aforementioned bonds that are refunded by the sale of the Bonds as the “Refunded Bonds.” The proceeds of the sale of the Bonds will also be used to pay the costs of issuance of the Bonds. The sale of the Bonds and the refunding of the Refunded Bonds will reduce the District’s debt service payments, and result in a present value savings in the District’s debt service expense.

The Refunded Bonds

The principal amounts and maturity dates (or mandatory sinking fund redemption dates, if applicable) of the Refunded Bonds are set forth below.

<u>Maturity Date</u>	<u>Series 2012 Refunding Bonds Principal Amount</u>	<u>Series 2013 Refunding Bonds Principal Amount</u>
2022	\$ 105,000	\$ 450,000
2023	110,000	465,000
2024	110,000	490,000
2025	115,000	515,000
2026	240,000	535,000
2027	255,000	565,000
2028	265,000	590,000
2029	<u>275,000</u>	<u>615,000</u>
	\$1,475,000	\$4,225,000

Redemption Dates:	11/24/20	11/24/20
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Aggregate Principal Amount of Refunded Bonds:	\$5,700,000
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Payment of the Refunded Bonds

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

The Bond Resolution provides that from the proceeds of the sale of the Bonds and other available funds of the District, the District will deposit with the Paying Agent for the Refunded Bonds the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Paying Agent for the Refunded Bonds in a segregated payment account (the “Payment Account”). At the time of delivery of the Bonds, Robert Thomas CPA, LLC, will verify to the District, the Paying Agent for the Refunded Bonds and the Financial Advisor that the monies held in the Payment Account are sufficient to pay, when due, the principal of and interest on the Refunded Bonds. See “VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS.” By the deposit of the cash with the Paying Agent for the Refunded Bonds and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior 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 in the Payment Account will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

The Non-Refunded Bonds (Remaining Outstanding Bonds)

In addition to the Series 2012 Refunding Bonds and Series 2013 Refunding Bonds, the District has issued Unlimited Tax Bonds, Series 1999 (the “Series 1999 Bonds”), Unlimited Tax Bonds, Series 2000 (the “Series 2000 Bonds”); Unlimited Tax Bonds, Series 2001 (the “Series 2001 Bonds”); Unlimited Tax Bonds, Series 2003 (the “Series 2003 Bonds”); Unlimited Tax Bonds, Series 2009 (the “Series 2009 Bonds”); Unlimited Tax Bonds, Series 2011 (the “Series 2011 Bonds”); and Unlimited Tax Bonds, Series 2011A (the “Series 2011A Bonds”) all of which Bonds were issued to finance the acquisition and construction of the District’s water supply and distribution, wastewater collection and treatment and storm drainage system (the “System”). The District also has issued Unlimited Tax Bonds, Series 2010 (the “Series 2010 Bonds”) to finance the acquisition and construction of recreational facilities. The District also has issued Unlimited Tax Refunding Bonds, Series 2006 (the “Series 2006 Refunding Bonds”); Unlimited Tax Refunding Bonds, Series 2010 (the “Series 2010 Refunding Bonds”); Unlimited Tax Refunding Bonds, Series 2015 (the “Series 2015 Refunding Bonds”); Unlimited Tax Refunding Bonds, Series 2017 (the “Series 2017 Refunding Bonds”); and Unlimited Tax Refunding Bonds, Series 2018 (the “Series 2018 Refunding Bonds”) to refund portions of the outstanding principal amount of bonds previously issued by the District. Collective reference is made in this Official Statement to all of such bonds that have been previously issued by the District as the “Prior Bonds.” Prior to the issuance of the Bonds, the principal amount of the Prior Bonds that has not been previously retired by the District is \$17,650,000 (the “Outstanding Bonds”). After issuance of the Bonds, the aggregate principal amount of the District's Outstanding Bonds not previously paid by the District, less the Refunded Bonds (the “Remaining Outstanding Bonds”) will be \$11,950,000 and the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be \$17,650,000. See “DISTRICT DEBT - Debt Service Requirement Schedule,” “INVESTMENT CONSIDERATIONS - Future Debt” and “THE SYSTEM.” The District has timely made all payments of principal of and interest on its Prior Bonds.

The principal amounts and maturity dates (or mandatory sinking fund amounts and payment dates, as applicable), of the Remaining Outstanding Bonds as of the date of the issuance of the Bonds are as follows.

Non-Refunded Bonds
Refunding Bonds
Principal Amounts

<u>Maturity Date</u>	<u>Series 2012</u>	<u>Series 2013</u>	<u>Series 2015</u>	<u>Series 2017</u>	<u>Series 2018</u>
9/1/2021	\$ 100,000	\$ 35,000	\$ 110,000	\$ 60,000	\$ 665,000
9/1/2022			110,000	70,000	265,000
9/1/2023			105,000	70,000	280,000
9/1/2024			105,000	75,000	290,000
9/1/2025			105,000	85,000	300,000
9/1/2026			130,000	70,000	105,000
9/1/2027			130,000	80,000	105,000
9/1/2028			130,000	90,000	105,000
9/1/2029			125,000	100,000	105,000
9/1/2030			750,000	580,000	100,000
9/1/2031			790,000	600,000	100,000
9/1/2032			835,000	620,000	100,000
9/1/2033					1,335,000
9/1/2034					1,365,000
9/1/2035					670,000
	\$100,000	\$35,000	\$3,425,000	\$2,500,000	\$5,890,000

Total Principal Amount of Non-Refunded Bonds (Remaining Outstanding Bonds) \$11,950,000

Sources and Uses of Funds

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

SOURCES OF FUNDS:

Principal Amount of Bonds	\$5,700,000.00
Plus: Original Issue Premium	287,610.70
District Contribution	9,000.00
Accrued Interest	<u>8,851.81</u>
Total Sources of Funds	\$6,005,462.51

USES OF FUNDS:

Deposit to with Paying Agent for the Refunded Bonds	\$5,752,566.67
Deposit Accrued Interest to Bond Fund	8,851.81
Expenses:	
Underwriters Discount	41,496.00
Municipal Bond Insurance and Other Issuance Expenses	<u>202,548.03</u>
Total Uses of Funds	\$6,005,462.51

THE DISTRICT

Authority

The District is a municipal utility district created by an order of the Texas Water Commission (now the TCEQ) dated October 20, 1983. The creation of the District was confirmed at an election held within the District on November 8, 1983. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code. The District is subject to the continuing supervision of the TCEQ.

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 also is authorized to construct, develop and maintain park and recreational facilities and, under certain circumstances, to construct roads. In addition, the District is authorized to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. See "THE BONDS - Issuance of Additional Debt."

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent of the City of Houston, within whose extraterritorial jurisdiction the District lies, the District has agreed to observe certain City of Houston requirements. These requirements limit the purposes for which the District may sell bonds for the acquisition and improvement of waterworks, wastewater, drainage and recreational facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require approval by the City of Houston of the District's construction plans and specifications for certain projects.

Description

The District originally encompassed approximately 267.9003 acres of land. Subsequent annexations of land by the District have resulted in the current area of the District that encompasses a total of approximately 527.96 acres. The District is located entirely within Harris County, Texas, approximately 20 miles northwest of the central business district of the City of Houston, Texas. The District is located partially within the extraterritorial jurisdiction and partially within the limited purpose jurisdiction of the City of Houston, and entirely within the Cypress-Fairbanks Independent School

District. State Highway 249 approximately bisects the District from north to south and Cypresswood Drive approximately bisects the District from east to west. The District is bounded on the south by Grant Road. See “AERIAL PHOTOGRAPH OF THE DISTRICT,” and “APPENDIX A - LOCATION MAP.”

Management of the District

The District is governed by the Board of Directors (the “Board”), consisting of five directors, which has control over and management supervision of all affairs of the District. The Directors either reside in the District or own land within the District. The Directors serve four-year staggered terms. Elections are held in even numbered years in May. The current members and officers of the Board are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires in May</u>
Gary Simpson	President	2022
Paul Raschke	Vice President	2022
Karla Velasquez	Assistant Vice President	2024
Kathryn Wright	Secretary	2024
Luke Grainge	Assistant Secretary	2024

Although the District does not have a general manager or any other full-time employee, it has contracted for utility system operating, bookkeeping, tax assessing and collecting, auditing, engineering, financial advisory and legal services as follows:

Tax Assessor/Collector

The District's Tax Assessor/Collector is Assessments of the Southwest, Inc., Friendswood, Texas. According to Assessments of the Southwest, Inc., it presently serves as tax assessor/collector for approximately 204 taxing jurisdictions. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Harris County Appraisal District and bills and collects such levy.

Bookkeeper

The District's bookkeeper is District Data Services, Inc. Such firm acts as bookkeeper for approximately 40 utility districts.

Utility System Operator

The District's operator is Regional Water Corporation. Such firm acts as operator for approximately 15 utility districts.

Auditor

As required by Section 49.191 of the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's current auditor is McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. A copy of the District's audit for the fiscal year ended June 30, 2019, is included as “APPENDIX B” to this Official Statement.

Engineer

The consulting engineer for the District in connection with the design and construction of certain of the facilities that serve the District is Dannenbaum Engineering Corporation (the “Engineer”).

Attorney

The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as general counsel to the District and as bond counsel (“Bond Counsel”) in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. See “LEGAL MATTERS.”

Financial Advisor

The District has engaged Rathmann & Associates, L.P. as financial advisor (the “Financial Advisor”) to the District. The fees paid to the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. Rathmann & Associates, L.P. is an independent municipal advisor registered with the United States Securities and Exchange Commission (the “SEC”) and the Municipal Securities Rulemaking Board (the “MSRB”). Rathmann & Associates, L.P.’s SEC registration number is 867-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.’s SEC registration Forms MA and MA-1’s, which constitute Rathmann & Associates, L.P.’s registration filings, may be accessed through http://www.sec.gov/edgar/searchedgar/company_search.html.

DEVELOPMENT OF THE DISTRICT

The land located within the District has been developed to date for single-family residential, townhome, multi-family residential and commercial usage. As of September 1, 2020, the District contained a total of 766 single-family homes and townhomes that have been constructed on all of the 766 total lots that have been developed within the District (including 691 completed single-family homes and 75 completed townhomes), all 766 of which homes and townhomes have been sold to home purchasers. Above-ground improvements that have been constructed to date within commercial/multi-family residential reserves that have been developed within the District include a total of approximately 1,619,795 square feet of completed building area contained in commercial and office/medical buildings and a total of 2,051 completed apartment units. In addition, an approximately 10,500 square foot Kiddie Academy is currently under construction on approximately 1.4 acres of land within the District with completion anticipated by December 2020.

The development of approximately 430.5 of the approximately 527.96 acres located within the District is complete. Such acres have been developed into 766 single-family residential lots, including 75 townhome lots (a total of approximately 187.1 acres) in the residential subdivisions known as Mandolin Village, Sections 1 through 4, Mandolin Park, Sections 1 and 2, the Mandolin Village Townhomes, Grants Trace and Fairlane Village; and a total of approximately 243.4 acres of commercial/multi-family residential reserves, including the completion of underground water distribution, wastewater collection and storm sewer facilities and street paving to serve the single-family residential and townhome lots; and trunk underground water distribution, wastewater collection and storm sewer facilities and street paving to the perimeters of the commercial/multi-family reserves.

Commercial, office/medical, warehouse, and hotel establishments totaling approximately 1,619,795 square feet of building area have been constructed on approximately 147.76 acres located within the District include the following: Kroger’s, Lowe’s Home Improvement, office and medical buildings, Grant Palace Strip Center, Cy-Creek Plaza, Mandolin Square, multiple retail shopping centers, freestanding buildings including restaurants, and a hotel. An approximately 10,500 square foot Kiddie Academy is currently under construction on approximately 1.4 acres of land within the District with completion anticipated by December 2020.

Completed multi-family improvements located within the District (totaling 2,051 units on approximately 95.6 acres) include the 384-unit Villages of Cypress Creek Apartments, 384-unit Mandolin Apartments, 363-unit Palazzo at Cypresswood Apartments, 336-unit Highpoint at Cypress Apartments, 324-unit The Lakes at Cypresswood Apartment Homes, and 260-unit Discovery at Mandolin Apartments.

As is described under the immediately following caption “DEVELOPERS AND PRINCIPAL LAND OWNERS,” approximately 60.16 acres located within the District on which an approximately 420,724 office building/parking structure has been constructed are owned by Greenwood/MILP (hereinafter defined). Upon successful petition by Greenwood (hereinafter defined), Harris County has created a reinvestment zone over such approximately 60.16 acres of property inside the District boundaries. See “TAX DATA - Tax Abatement in the District.” Greenwood/MILP also currently owns 26.72 acres located within the District upon which no above-ground improvements have been constructed. The District cannot represent when, or whether any taxable above-ground improvements might be constructed on any of such land owned by Greenwood/MILP.

Approximately 7.4 acres of land located within the District that have been developed with trunk underground water distribution, wastewater collection and storm sewer facilities to the perimeter of such property and are available for the construction of above-ground improvements are owned by another party. The District cannot represent when, or whether, any taxable above-ground improvements might be constructed on any of such land.

Approximately 34.8 acres contained within the platted residential and commercial acreage of the District consist of pipeline, road and drainage channel rights-of-way, detention pond, water plant and wastewater treatment plant sites, or are otherwise not available for future development. See “FUTURE DEVELOPMENT.”

The District has financed the acquisition or construction of certain facilities, including a water plant, wastewater treatment plant and a lift station, force main, and water line extension constructed within the right-of-way of Cypresswood Drive, excavation of drainage ditch K-139-00, phases 1 and 2 of a storm water detention basin; and underground water distribution, wastewater collection and storm drainage facilities to serve Lowe's Home Improvement Center; Mandolin Village, Sections 1 through 4, Mandolin Park, Sections 1 and 2, the Mandolin Village Townhomes, Fairlane Village, Grants Trace, Chasewood Crossing, Lakes at Cypresswood Apartments, Discovery at Mandolin Apartments, Villages of Cypress Creek Apartments, recreational facilities, and other facilities, with the proceeds of the sale of the Prior Bonds. In addition to the facilities that the District has financed with portions of the proceeds of the sale of the Prior Bonds, the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention and recreational facilities with portions of the proceeds of the sale of its bonds, if any, to be issued by the District in the future. See “INVESTMENT CONSIDERATIONS - Future Debt” and “THE SYSTEM.”

DEVELOPERS AND PRINCIPAL LAND OWNERS

Role of the Developers

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the district, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent (30%) of the cost of emplacing certain of the water, wastewater and drainage facilities in the utility district pursuant to the rules of the TCEQ. The District requested exemptions from such developer participation requirement with respect to the Prior Bonds on the basis of one or more of the criteria under TCEQ rules for such exemption, and the TCEQ granted such requests. The relative success or failure of a developer to perform such activities in development of the property within a utility district may have a profound effect on the security of the unlimited tax bond issued by a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property. See “INVESTMENT CONSIDERATIONS.”

Developers and Principal Land Owners

The current developers of land within the District include the related parties of Greenwood Properties, L.P. (“Greenwood”), a Texas limited partnership and Mandolin Investments, L.P. (“MILP”), a Texas limited partnership (Greenwood and MILP, collectively “Greenwood/MILP”). Greenwood/MILP currently own approximately 60.16 acres of land within the District upon which an approximately 420,724 square foot office building/parking structure has been constructed as Chasewood III building. Upon successful petition by Greenwood, Harris County has created a reinvestment zone over such approximately 60.16 acres of property inside the District boundaries. See “TAX DATA - Tax Abatement in the District.” Greenwood/MILP also currently owns 26.72 acres located within the District upon which no above-ground improvements have been constructed. The District cannot represent when, or whether any taxable above-ground improvements might be constructed on any of such land owned by Greenwood/MILP. In addition to such approximately 26.72 acres, 9950 Cypresswood, L.P. (“Cypresswood”), a Texas joint venture, owns certain developed properties within the District, including the approximately 30,972 square foot Cypresswood One office building located on an approximate 2.1 acre tract located within the District. Don E. Hand is a principal in Greenwood/MILP, Cypresswood, Chasewood Crossing L.P. (“Chasewood Crossing”), a Texas limited partnership, Chasewood Crossing II, L.P., a Texas limited partnership (“Chasewood II”) and Chasewood Crossing III, L.L.C. (“Chasewood Crossing III”). Chasewood Crossing, Chasewood Crossing II and Chasewood Crossing III are hereinafter collectively referred to as “Chasewood.” Chasewood Crossing is the owner of the approximately 300,942 square foot Chasewood Crossing I office building/parking structure that has been constructed on approximately 4.6 acres located within the District and Chasewood Crossing II is the owner of the approximately 293,118 square foot Chasewood Crossing II office building/parking structure has been constructed on another approximately 4.3 acre tract located within the District.

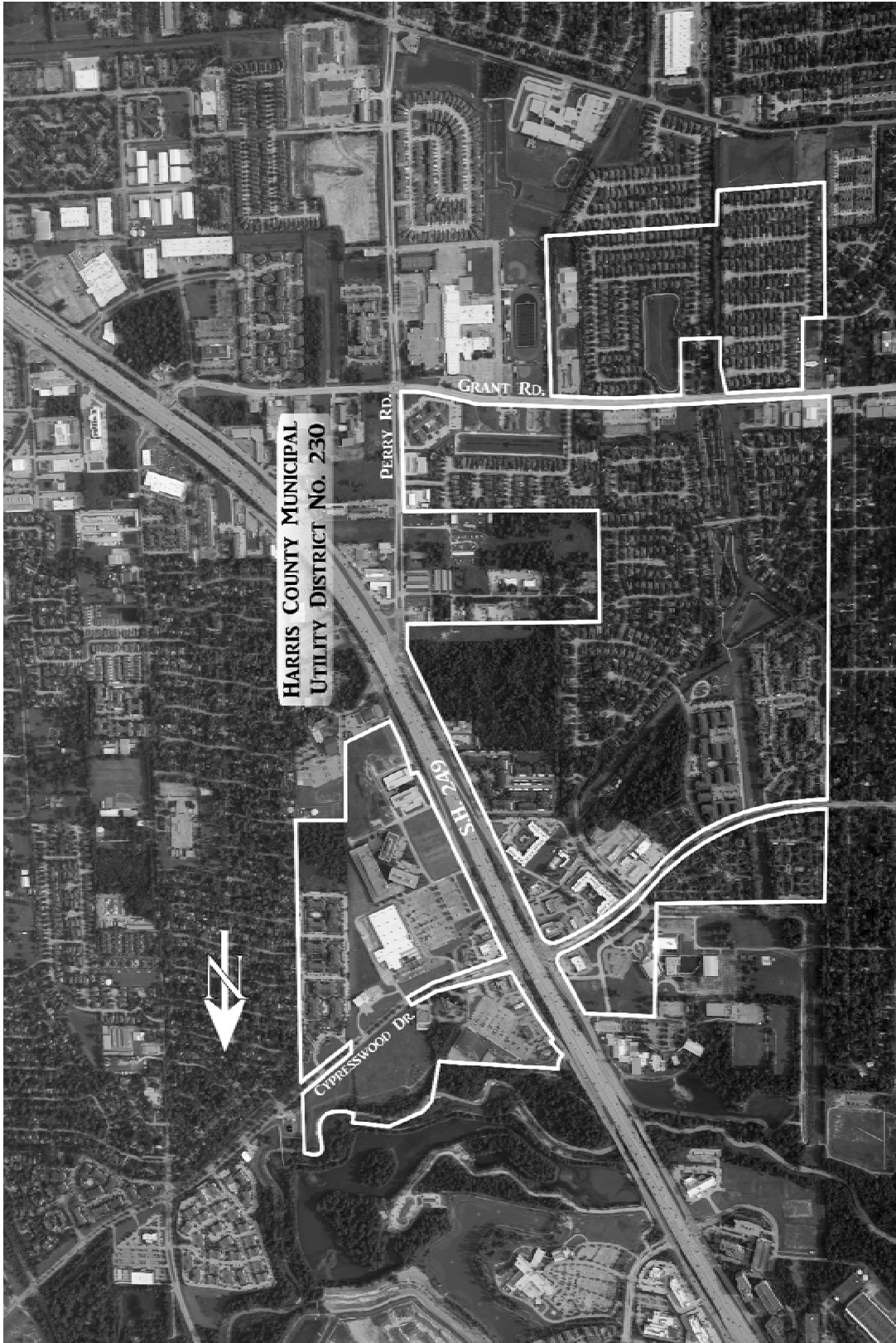
The largest component of the District’s 2020 tax roll consists of the land and improvements located within the District owned by 13801 Napoli LLC, the owner of the 363-unit Cypresswood Place Apartments within the District. The 2020 Assessed Valuation of such property comprised approximately 9.10% of the District’s total 2020 Assessed Valuation. The second largest component of the District’s 2020 tax roll consists of the land and improvements owned by BR HR Cypress Creek LLC, the owner of the 384-unit Villages of Cypress Creek Apartments, the 2020 Assessed Valuation of which property comprised approximately 7.89% of the District’s total 2020 Assessed Valuation. The third largest component of the District’s 2020 tax roll consists of the land and improvements owned by BRE Highpoint MF Owner LP, the owner of the 336-unit Highpoint at Cypresswood Apartments within the District. The 2020 Assessed Valuation of such property comprised approximately 7.63% of the District’s total 2020 Assessed Valuation. The fourth largest component of the District’s 2020 tax roll consists of the land, improvements and personal property owned by Greenwood. The 2020 Assessed Valuation of such property comprised approximately 7.10% of the District’s total 2020 Assessed Valuation. The District and Greenwood entered into a tax abatement agreement on August 1, 2018, for a period of ten years. The value of the property in the tax abatement zone is \$6,730,647. After applying the District’s agreement with Greenwood, the value in the zone that will be subject to taxation by the District is \$3,365,323. See “TAX DATA - Tax Abatement in the District.”(The 2020 Assessed Valuation of the land and commercial improvements located within the District owned by Greenwood, Chasewood, MILP and Cypresswood totaled \$75,892,816 and comprised approximately 13.53% of the District’s total 2020 Assessed Valuation). The fifth largest component of the District’s 2020 tax roll consists of the land, improvements and personal property owned by Strata Mandolin, LLC, the owner of the 384-unit Mandolin Apartment Homes within the District. The 2020 Assessed Valuation of such property comprised approximately 6.87% of the District’s total 2020 Assessed Valuation. No other owner of property located within the District owns property the 2020 Assessed Valuation of which exceeded 5.91% of the District’s total 2020 Assessed Valuation. The District’s ten principal taxpayers in 2020 owned property located in the District the aggregate Assessed Valuation of which comprised approximately 58.33% of the District’s total 2020 Assessed Valuation. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments - Principal Landowners’ Obligations to the District,” and “TAX DATA - Principal 2020 Taxpayers.”

FUTURE DEVELOPMENT

As is described above under the caption “DEVELOPERS AND PRINCIPAL LAND OWNERS,” approximately 26.72 acres located within the District that have been developed with trunk underground water distribution, wastewater collection and storm sewer facilities and street paving to the perimeter of such property and are available for the construction of above-ground improvements are owned by Greenwood/MILP. An additional approximately 7.4 acres located within the District that have been developed with trunk underground water distribution, wastewater collection and storm sewer facilities and street paving to the perimeter of such property and are available for the construction of above-ground improvements are owned by another party. The District cannot represent when, or whether, any taxable above-ground improvements might be constructed on any of such land owned by Greenwood/MILP or the other party. Approximately 34.8 acres contained within the platted residential and commercial acreage of the District consist of pipeline, road and drainage channel rights-of-way, detention pond, water plant and wastewater treatment plant sites, or are otherwise not available for future development. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

Although the aforementioned undeveloped acres may be developed in the future, the initiation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party's ability to develop and/or sell commercial and multi-family residential tracts described in this Official Statement under the caption “INVESTMENT CONSIDERATIONS.” Since no party, including Greenwood/MILP, has any obligation to the District to construct additional above-ground improvements on any land that it owns within the District, the District cannot represent whether, or when, any future above-ground improvements will be constructed within the District. The District financed the construction of recreational facilities with portions of the proceeds of the sale of the \$3,000,000 Series 2010 Bonds, which constituted the initial issuance of \$4,800,000 unlimited tax bonds that have been authorized by District voters for recreational facilities. See “THE BONDS - Issuance of Additional Debt,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS - Future Debt.” In addition, the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention and recreational facilities with portions of the proceeds of the sale of its bonds, if any, to be issued by the District in the future. No party is under any obligation to complete any development, if begun, and may modify or discontinue development plans in its sole discretion. Accordingly, the District makes no representation that future development will occur. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken August 2020)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken August 2020)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken August 2020)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken August 2020)



DISTRICT DEBT

General

The following tables and calculations relate to the Bonds and the Remaining Outstanding Bonds. After issuance of the Bonds, the aggregate principal amount of the Outstanding Bonds, less the Refunded Bonds, will be \$11,950,000 (the "Remaining Outstanding Bonds"), and the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be \$17,650,000. The District is empowered to incur debt to be paid from revenues raised by taxation against all taxable property located within the District, and various other political subdivisions of government that overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of the property within the District.

2020 Assessed Valuation		\$561,117,795(a)
(As of January 1, 2020)		
See "TAX DATA" and "TAXING PROCEDURES."		
Direct Debt:		
Remaining Outstanding Bonds		\$ 11,950,000
The Bonds		<u>5,700,000</u>
Total		\$ 17,650,000(b)
Estimated Overlapping Debt		<u>\$ 34,418,961(b)</u>
Total Direct and Estimated Overlapping Debt		<u>\$ 52,068,961(b)</u>
Direct Debt Ratio:		
: as a percentage of 2020 Assessed Valuation		3.15%
Direct and Estimated Overlapping Debt Ratio		
: as a percentage of 2020 Assessed Valuation		9.28%
Debt Service Fund Balance Estimated at Delivery of the Bonds		\$ 1,993,152(c)
General Fund Balance at September 14, 2020		\$ 4,165,923(d)
2019 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax	\$0.33	
Maintenance tax	<u>0.15</u>	
Total		\$0.48/\$100 A.V.(e)
2020 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax	\$0.31	
Maintenance Tax	<u>0.15</u>	
Total		\$0.46/\$100 A.V.(e)

(a) As of January 1, 2020, and comprises the District's 2020 tax roll. Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such protested properties is \$36,271,756, which total is included in the amount of \$561,117,795. The Appraisal District has proposed the valuation of such protested properties to be \$41,951,423. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet

included on the certified appraisal roll is \$6,413,627, which total is also included in the amount of \$561,117,795. The District is unable to predict the amount of the District's final 2020 Assessed Valuation. Such final 2020 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2020.

- (b) In addition to the facilities that the District has financed with portions of the proceeds of the sale of the Prior Bonds, the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention and recreational facilities with portions of the proceeds of the sale of its bonds, if any, to be issued by the District in the future. See "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM."
- (c) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. Such sum gives effect to the payment by the District of the entirety of its debt service requirements that were due for 2020 on the Outstanding Bonds and the contribution by the District of \$9,000 to the refunding of the Refunded Bonds. The District's initial debt service payment on the Bonds, which consists of a four-month interest payment thereon, is due on March 1, 2021. See "DISTRICT DEBT - Debt Service Requirement Schedule."
- (d) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the General Fund. Such fund balance also includes Contract Sales Tax Revenue that the District has received under the terms of a Strategic Partnership Agreement (the "SPA") that the District has executed with the City of Houston (the "City") pursuant to which the District is entitled to Contract Sales Tax Revenue payments generated from its 50% share of a 1% City sales tax imposed on merchandise sold in retail and commercial establishments located in the District. See "THE BONDS - Strategic Partnership." Funds received by the District under the SPA are not pledged to the payment of the Bonds. The District has received such Contract Sales Tax Revenue and deposited same in the District's General Fund in each of the District's fiscal years ended June 30 since the receipt of the initial such payments in the District's fiscal year ended June 30, 2003. See "APPENDIX B - ANNUAL FINANCIAL REPORT" of the District.
- (e) The District levied a total tax of \$0.48 per \$100 of Assessed Valuation for 2019, consisting of debt service and maintenance tax components of \$0.33 and \$0.15 per \$100 of Assessed Valuation, respectively, and has levied a debt service tax rate of \$0.31 per \$100 of Assessed Valuation and a maintenance tax of \$0.15 per \$100 of Assessed Valuation for 2020. As is stated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2019 tax levies of all units of government which levy taxes against the property located within the District plus the District's 2020 tax rate is \$2.689207 per \$100 of Assessed Valuation.

Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in “Texas Municipal Reports,” published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

<u>Taxing Jurisdiction</u>	<u>Debt as of September 2, 2020</u>	<u>Estimated Overlapping Percent</u>	<u>Amount</u>
Harris County(a)	\$1,867,957,125	0.11103%	\$ 2,074,081
Harris County Department of Education	6,320,000	0.11103	7,017
Harris County Flood Control District	83,075,000	0.11103	92,242
Harris County Hospital District	86,050,000	0.11103	95,545
Port of Houston Authority	514,174,397	0.11103	570,912
Cypress-Fairbanks Independent School District	2,971,210,000	1.01447	30,141,929
Lone Star College System	542,290,000	0.26503	<u>1,437,235</u>
 Total Estimated Overlapping Debt			 \$34,418,961
 The District (the Bonds and the Remaining Outstanding Bonds)			 <u>17,650,000</u>
 Total Direct & Estimated Overlapping Debt			 <u>\$52,068,961</u>

(a) Harris County Toll Road bonds are considered to be self-supporting, and are excluded from this schedule.

Debt Ratios

	<u>% of 2020 Assessed Valuation</u>
Direct Debt	3.15%
Direct and Estimated Overlapping Debt	9.28%

Under Texas law, ad valorem taxes levied by each taxing authority other than the District create a lien that is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administration, and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy, and collect ad valorem taxes for operations and maintenance purposes, and such taxes have been authorized by the duly qualified voters of the District. The District levied a maintenance tax of \$0.15 per \$100 of Assessed Valuation for 2019, and has levied a maintenance tax of \$0.15 per \$100 of Assessed Valuation for 2020. See “TAX DATA - Maintenance Tax.”

Debt Service Requirement Schedule

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

<u>Year Ending December 31</u>	<u>Current Total Debt Service</u>	<u>Less: Debt Service on Refunded Bonds</u>	<u>Plus - The Bonds</u>		<u>Current Total New Debt Service Requirements</u>
			<u>Principal (Due 9-1)</u>	<u>Interest</u>	
2020	\$ 1,665,850				\$ 1,665,850
2021	1,653,850	\$ 228,000	\$ 45,000	\$ 115,458	1,586,308
2022	1,661,500	783,000	575,000	137,200	1,590,700
2023	1,654,400	780,800	590,000	119,950	1,583,550
2024	1,656,000	782,800	610,000	102,250	1,585,450
2025	1,663,200	788,800	635,000	83,950	1,593,350
2026	1,578,400	908,600	775,000	64,900	1,509,700
2027	1,590,200	922,600	805,000	49,400	1,522,000
2028	1,589,800	924,800	825,000	33,300	1,523,300
2029	1,582,600	925,600	840,000	16,800	1,513,800
2030	1,743,800				1,743,800
2031	1,746,600				1,746,600
2032	1,752,000				1,752,000
2033	1,469,800				1,469,800
2034	1,446,400				1,446,400
2035	696,800				696,800
	<u>\$25,151,200</u>	<u>\$7,045,000</u>	<u>\$5,700,000</u>	<u>\$723,208</u>	<u>\$24,529,408</u>
Average Annual Requirements: (2021-2034)					\$1,583,340
Maximum Annual Requirement: (2032)					\$1,752,000

TAX DATA

Debt Service Tax

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Remaining Outstanding Bonds, the Bonds and any future tax-supported bonds that may be issued by the District from time to time as authorized (see "TAXING PROCEDURES"). The Board of the District has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see "THE BONDS" and "INVESTMENT CONSIDERATIONS"). The actual rate of such tax is determined annually as a function of the District's tax base, its debt service requirements, and available funds. The District levied a debt service tax of \$0.33 per \$100 of Assessed Valuation for 2019, and has levied a debt service tax of \$0.31 per \$100 of Assessed Valuation for 2020.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$1.50 per \$100 Assessed Valuation.

Maintenance Tax

The Board 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 May 7, 1998, the Board authorized by a vote of the District's electors to levy such maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Remaining Outstanding Bonds and the Bonds and any parity bonds which may be issued in the future. See "Tax Rate Distribution" below. The District levied a maintenance tax of \$0.15 per \$100 of Assessed Valuation for 2019, and has levied a maintenance tax of \$0.15 per \$100 of Assessed Valuation for 2020.

Historical Values and Tax Collection History

The following statement of tax collections sets forth in condensed form the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate (a)</u>	<u>Total Levy</u>	<u>Cumulative % Collections</u>	
				<u>Current & Prior Years(b)</u>	<u>Year Ending 9/30</u>
2009	\$302,048,368	\$0.58	\$1,751,577	99.99%	2010
2010	320,878,818	0.58	1,860,463	99.98	2011
2011	330,213,296	0.58	1,914,351	99.91	2012
2012	341,149,026	0.58	1,978,284	99.91	2012
2013	364,298,543	0.57	2,075,946	99.99	2014
2014	395,702,256	0.53	2,097,046	99.98	2015
2015	445,967,175	0.52	2,319,029	99.97	2016
2016	473,509,270	0.51	2,414,897	99.93	2017
2017	475,296,205	0.50	2,376,481	99.91	2018
2018	484,116,017	0.49	2,372,168	99.90	2019
2019	534,128,165	0.48	2,563,815	99.71(c)	2020
2020	561,117,795(d)	0.46(e)	2,581,142		2021

(a) Per \$100 of assessed valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through September 30, 2020. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

(c) As of September 30, 2020. In process of collection.

(d) Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such protested properties is \$36,271,756, which total is included in the amount of \$561,117,795. The Appraisal District has proposed the valuation of such protested properties to be \$41,951,423. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is \$6,413,627, which total is also included in the amount of \$561,117,795. The District is unable to predict the amount of the District's final 2020 Assessed Valuation. Such final 2020 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2020.

(e) The District has levied a debt service tax rate of \$0.31 per \$100 of Assessed Valuation and a maintenance tax of \$0.15 per \$100 of Assessed Valuation for 2020.

Tax Rate Distribution

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Debt Service	\$0.31	\$0.33	\$0.34	\$0.35	\$0.37
Maintenance & Operations	<u>0.15</u>	<u>0.15</u>	<u>0.15</u>	<u>0.15</u>	<u>0.14</u>
Total	\$0.46	\$0.48	\$0.49	\$0.50	\$0.51

Analysis of Tax Base

The following table illustrates the composition of property located within the District for the past five years.

<u>Type of Property</u>	2020		2019		2018	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	\$114,706,177	20.44%	\$120,326,129	22.53%	\$112,227,095	23.18%
Improvements	427,117,971	76.12	423,733,727	79.33	378,141,044	78.11
Personal Property	20,487,227	3.65	21,627,525	4.05	21,312,549	4.40
Uncertified	42,685,383	7.61	21,627,525	4.05	21,312,549	4.40
Exemptions	<u>(43,878,963)</u>	<u>(7.82)</u>	<u>(31,559,217)</u>	<u>(5.91)</u>	<u>(27,564,671)</u>	<u>(5.69)</u>
Total	\$561,117,795*	100.00%	\$534,128,164	100.00%	\$484,116,017	100.00%

<u>Type of Property</u>	2017		2016	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	\$104,781,593	22.05%	\$ 102,038,050	21.55%
Improvements	378,815,309	79.70	369,140,468	77.96
Personal Property	21,213,522	4.46	20,208,188	4.27
Exemptions	<u>(29,514,219)</u>	<u>(6.21)</u>	<u>(17,877,436)</u>	<u>(3.78)</u>
Total	\$475,296,205	100.00%	\$473,509,270	100.00%

* Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District’s “Estimated Final Taxable Value with Hearing Loss” of such protested properties is \$36,271,756, which total is included in the amount of \$561,117,795. The Appraisal District has proposed the valuation of such protested properties to be \$41,951,423. The Appraisal District’s estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is \$6,413,627, which total is also included in the amount of \$561,117,795. The District is unable to predict the amount of the District’s final 2020 Assessed Valuation. Such final 2020 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2020.

Principal 2020 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the Assessed Valuation of such property as of January 1, 2020. The information reflects the composition of the Appraisal District's record of property ownership as of January 1, 2020.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2020 Tax Roll</u>	<u>% of 2020 Tax Roll</u>
13801 Napoli LLC	Multi-Family	\$51,053,740	9.10%
BR HR Cypress Creek, LLC	Multi-Family	44,280,163	7.89
BRE Highpoint MF Owner, LP	Multi-Family	42,828,263	7.63
Greenwood Properties, LP(a)(b)	Commercial	39,815,384	7.10
Strata Mandolin LLC	Multi-Family	38,530,377	6.87
Mandolin Drive Owner LLP	Multi-Family	33,187,190	5.91
Chasewood Land Venture LP	Commercial	31,025,000	5.53
Chasewood Crossing II, LP (a)	Multi-Family	25,929,706	4.62
Lowes Home Centers Inc.	Commercial	11,327,998	2.02
Cypresswood HNY Investment Inc.	Commercial	<u>9,308,719</u>	<u>1.66</u>
		\$ 327,286,540	58.33%

- (a) Related entities. The 2020 Assessed Valuation of the land and commercial improvements owned by such entities plus the 2020 Assessed Valuation of the land and commercial improvements owned by MILP (\$5,473,922), Cypresswood (\$3,196,084) and Chasewood Crossing III (\$1,477,720) which are entities that are related to such entities, totaled \$75,892,816, or approximately 13.53% of the District’s total 2020 Assessed Valuation. See “DEVELOPERS AND PRINCIPAL LAND OWNERS.”
- (b) The District and Greenwood entered into a tax abatement agreement on August 1, 2018, for a period of ten years. The value of the property in the tax abatement zone is \$6,730,647. After applying the District’s agreement with Greenwood, the value in the zone that will be subject to taxation by the District is \$3,365,323. See “TAX DATA - Tax Abatement in the District.”

Exemptions

The District has adopted a \$10,000 residential homestead exemption for persons 65 years or older or disabled persons. The District has adopted a 10% general residential homestead exemption for 2020. See “TAXING PROCEDURES.”

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than 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 Abatement in the District

Pursuant to Chapter 312 of the Texas Tax Code, Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. The Developer, Greenwood Properties, L.P. (“Greenwood”) petitioned Harris County to create a reinvestment zone over 60.1598 acres of undeveloped property inside the District boundaries, and Harris County granted such petition. Harris County and the District, at the option and discretion of each entity, may

enter into tax abatement agreement with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing the tax abatement, which each entity will follow in granting or denying the tax abatement. The District adopted Guidelines and Criteria Governing Added Value Tax Abatement Agreements on July 10, 2017. 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 makes specific improvements 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. The District and Greenwood Properties Ltd. entered into a tax abatement agreement on August 1, 2018, for a period of ten years. The value of the property in the tax abatement zone is \$6,730,647. After applying the District’s agreement with Greenwood, the value in the zone that will be subject to taxation by the District is \$3,365,323.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District’s tax base occurs beyond the 2020 Assessed Valuation. The calculations assume collection of 95% of taxes levied, no use of funds lawfully available to the District for debt service purposes to augment tax collections, including monies held in the Debt Service Fund and earnings from the investment thereof, and the sale of no bonds by the District in addition to the Prior Bonds and the Bonds.

Average Annual Debt Service Requirements (2021-2034)	\$1,583,340
Tax Rate of \$0.30 on the 2020 Assessed Valuation (\$561,117,795) produces	\$1,599,186
Maximum Annual Debt Service Requirement (2032)	\$1,752,000
Tax Rate of \$0.33 on the 2020 Assessed Valuation (\$561,117,795) produces	\$1,759,104

The District levied a tax of \$0.48 per \$100 of Assessed Valuation for 2019, consisting of debt service and maintenance tax components of \$0.33 and \$0.15 per \$100 of Assessed Valuation, respectively, and has levied a debt service tax rate of \$0.31 per \$100 of Assessed Valuation and a maintenance tax of \$0.15 per \$100 of Assessed Valuation for 2020. As the above table indicates, the 2020 debt service tax rate will be sufficient to pay the average annual debt service requirements but not the maximum annual debt service requirement on the Bonds and the Remaining Outstanding Bonds, assuming taxable values at the level of the 2020 Assessed Valuation, and assuming that the District will have a tax collection rate of 95%, no use of funds lawfully available to the District for debt service purposes to augment tax collections, including monies held in the Debt Service Fund and earnings from the investment thereof, and the issuance of no additional bonds by the District. However, as is illustrated in this Official Statement under the caption “TAX DATA - Historical Values and Tax Collection History,” the District has collected an average of 99.95% of its 2009 through 2018 tax levies as of September 30, 2020, and its 2019 levy was 99.71% collected as of such date. Moreover, the District's Debt Service Fund balance is estimated to be \$1,993,152 as of the date of the delivery of the Bonds. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see “APPENDIX B - ANNUAL AUDIT REPORT”). Therefore, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Remaining Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District has levied for 2020 - \$0.31 per \$100 of Assessed Valuation. In addition to the facilities that the District has financed with portions of the proceeds of the sale of the Prior Bonds, the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention and recreational facilities with portions of the proceeds of the sale of its bonds, if any, to be issued by the District in the future. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments” and “TAXING PROCEDURES.”

Estimated Overlapping Taxes

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

Set forth below is an estimation of all 2019 taxes per \$100 of assessed valuation levied by such jurisdictions plus the District’s 2020 tax rate. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions.

<u>Taxing Jurisdiction</u>	<u>2019 Tax Rate/\$100 of A.V.</u>
The District	\$0.460000*
Harris County	0.407130
Harris County Hospital District	0.165910
Harris County Flood Control District	0.027920
Harris County Department of Education	0.005000
Port of Houston Authority	0.010740
Lone Star College System	0.107800
Cypress-Fairbanks Independent School District	1.370000
Harris County Emergency Service District No. 11	0.034707
Harris County Emergency Service District No. 13	<u>0.100000</u>
Total Tax Rate	\$2.689207

* The District levied a tax of \$0.48 per \$100 of Assessed Valuation for 2019, consisting of debt service and maintenance tax components of \$0.33 and \$0.15 per \$100 of Assessed Valuation, respectively, and has levied a debt service tax rate of \$0.31 per \$100 of Assessed Valuation and a maintenance tax of \$0.15 per \$100 of Assessed Valuation for 2020.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

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

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

Freeport Goods Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in

or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City of Houston (after annexation of the District), Harris County, or 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 District has adopted guidelines and criteria for establishing a tax abatement. 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 agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. Greenwood petitioned Harris County to create a reinvestment zone over 60.1598 acres of undeveloped property inside the District boundaries, and Harris County granted such petition. The District and Greenwood entered into a tax abatement agreement on August 1, 2018, for a period of ten years. The value of the property in the tax abatement zone is \$6,730,647. After applying the District's agreement with Greenwood, the value in the zone that will be subject to taxation by the District is \$3,365,323. See "TAX DATA - Tax Abatement in the District."

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. An appraisal roll is prepared, taxpayer protests are heard by the Appraisal Review Board, and the appraisal roll is certified by the Chief Appraiser. Then it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. If a landowner of qualified open-space land is a member of the U.S. armed forces, subject to certain conditions, the appraisal of the land as qualified open-space land does not change while the landowner is deployed or stationed outside Texas. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

District and Taxpayer Remedies

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

The Property Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

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.

Special Taxing Units

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

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the

previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts

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

The District

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

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

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 taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units (see "TAX DATA - Estimated Overlapping Taxes.") A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien; 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, whether or not the debt or lien existed before the attachment of the tax lien. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings which restrict the collection of taxpayer debts. "See "INVESTMENT CONSIDERATIONS - Tax Collection Limitations."

THE SYSTEM

According to the District's Engineer, the District's water supply and distribution, wastewater collection and treatment and storm drainage facilities (collectively, the "System") have been designed in accordance with the criteria of various regulatory agencies including the City of Houston, Harris County, and the TCEQ. The construction and installation of the facilities must be made in accordance with the standards and specifications of such entities and are subject to inspection by each such entity. The District has financed the costs of the acquisition or construction of certain components of the System, including a water plant, wastewater treatment plant and a lift station, force main, and water line extension constructed within the right-of-way of Cypresswood Drive, excavation of drainage ditch K-139-00, phases 1 and 2 of a storm water detention basin; and underground water distribution, wastewater collection and storm drainage facilities to serve Lowe's Home Improvement Center, Mandolin Village, Sections 1 through 4, Mandolin Park, Sections 1 and 2, the Mandolin Village Townhomes, Fairlane Village, Grants Trace, Chasewood Crossing, Lakes at Cypresswood Apartments, Discovery at Mandolin Apartments, and Villages of Cypress Creek Apartments, recreational facilities, and other facilities, with the proceeds of the sale of the Prior Bonds. In addition, the District expects to finance the acquisition or construction additional water distribution, wastewater collection, storm drainage/detention and recreational facilities with portions of the proceeds of the sale of its bonds, if any, to be issued by the District in the future. See "INVESTMENT CONSIDERATIONS." The total number of equivalent single-family connections ("ESFCs") projected for the District at the full development of its approximately 527.96 acres is approximately 2,484 with a total estimated population of approximately 8,694 people. Descriptions of certain portions of the District's System follow. The System currently provides service to the approximately 430.5 acres which have been developed within the District as is described in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT." The descriptions which follow are based upon information supplied by the District's Engineer.

Water Supply

The District's water supply facilities include one water well with a capacity of approximately 1,500 gallons-per-minute ("gpm"), ground storage tanks with a total capacity of 505,000 gallons, two 25,000 gallon hydropneumatic tanks, and booster pumps with total capacity of 5,750 gpm. According to the District's Engineer, these facilities, the acquisition of which the District financed with a portion of the proceeds of the sale of the Prior Bonds, can serve approximately 2,500 ESFCs. The District maintains a water interconnection line with the adjoining Cypress Creek Utility District as an emergency second source of water supply for both districts.

Wastewater Treatment

The District financed the acquisition of a 760,000 gallons-per-day (“gpd”) permanent wastewater treatment facility with a portion of the proceeds of the sale of the Prior Bonds. The plant is capable of serving 3,040 ESFCs, assuming a flow factor of 250 gpd/ESFC.

Stormwater Drainage

Stormwater drainage for the District is provided by an internal network of underground drainage facilities which outfall into drainage channels which flow into Cypress Creek or Greens Bayou. The District is located within two watershed areas. Primarily, the District drains through various detention ponds to K-139-00-00, where it outfalls directly to Cypress Creek. Other portions of the District drain to Cypresswood Drive, which also drains to Cypress Creek. A third portion of the District drains to SH 249, which outfalls to Greens Bayou, and a fourth portion of the District outfalls through a series of detention ponds into adjacent roadside ditches, which ultimately drain to Greens Bayou.

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 not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years.

According to the District's Engineer, other than the approximately 11.4 acres of land developed as the Kroger Center, none of the developable acres within the District lies within the 100-year flood plain of any water course including Cypress Creek or Greens Bayou as determined by the applicable FIRM. However, an engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. Additionally, the District's storm water drainage system has been designed and constructed in accordance with current applicable regulatory standards for a development of this size and location.

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Regulation

Construction and operation of the District's System as it now exists or as it may be expanded from time to time is subject to the regulatory jurisdiction of several federal, state and local authorities. The TCEQ exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the TCEQ and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of Harris County, and, in some instances, the Harris County Flood Control District, the TCEQ, and the U.S. Army Corps of Engineers. Harris County and the City of Houston also exercise regulatory jurisdiction over the District's System.

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

The Authority, among other powers, has the power to (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees to be paid by the District for groundwater pumped by the District or for surface water received by the District from the Authority), user fees, rates, and charges as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the District and the amount of surface water, if any, received by the District from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2035 to finance the Authority’s project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

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

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

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development of land intended to be used for multi-family residential and commercial usage, and the construction of taxable above-ground multi-family residential and commercial improvements within the District are directly related to the vitality of the multi-family residential housing and commercial development and building industries. New multi-family residential housing construction and the construction of new commercial improvements and related development activities can be significantly affected by factors such as interest rates, construction costs, credit availability, energy availability and cost, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. Further declines in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing and the values of existing properties (see "Potential Effects of Oil Price Declines on the Houston Area" below). Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although, as is described in this Official Statement under the captions "DEVELOPMENT OF THE DISTRICT" and "DEVELOPERS AND PRINCIPAL LAND OWNERS," the District currently contains approximately 187.1 acres of land which have been developed into a total of 766 single-family residential and townhome lots which contain a total of 766 single-family homes and townhomes (including 691 completed single-family homes and 75 completed townhomes, all of which have been sold to home purchasers), plus approximately 243.4 acres of land which have been developed into commercial and/or multi-family residential reserves on which to date have been constructed (i) approximately 1,619,795 square feet of completed building area containing commercial and office/medical buildings; and (ii) 2,051 completed apartment units, and on which an approximately 10,500 square foot Kiddie Academy is currently under construction, all of which are described in the sections of this Official Statement entitled "DEVELOPMENT OF THE DISTRICT" and "THE SYSTEM," the District cannot predict the pace or magnitude of any future multi-family residential or commercial property development or construction of any other taxable multi-family residential or commercial improvements in the District in addition to the aforementioned development and improvements that have been completed in the District. The District cannot represent the level of occupancy of the commercial and office/medical buildings or apartments that have been constructed within the District.

National Economy: Although, as is stated above under "Economic Factors," and as described in this Official Statement under the captions "DEVELOPMENT OF THE DISTRICT" and "DEVELOPERS AND PRINCIPAL LAND OWNERS," the District currently contains approximately 187.1 acres of land which have been developed into a total of 766 single-family residential and townhome lots which contain a total of 766 single-family homes and townhomes (including 691 completed single-family homes and 75 completed townhomes, all of which have been sold to home purchasers), plus approximately 243.4 acres of land which have been developed into commercial and/or multi-family residential reserves on which to date have been constructed (i) approximately 1,619,795 square feet of completed building area containing commercial and office/medical buildings; and (ii) 2,051 completed

apartment units, and on which an approximately 10,500 square foot Kiddie Academy is currently under construction, all of which are described in the sections of this Official Statement entitled “DEVELOPMENT OF THE DISTRICT” and “THE SYSTEM,” the District cannot predict the pace or magnitude of any future multi-family residential or commercial property development or construction of any other taxable multi-family residential or commercial improvements in the District in addition to the aforementioned development and improvements that have been completed in the District. The District cannot represent the level of occupancy of the commercial and office/medical buildings or apartments that have been constructed within the District.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on development activity and the construction of future apartments or future office, retail or other commercial improvements within the District, particularly short-term interest rates at which developers are able to obtain financing for development costs or at which the construction of future apartments or future office, retail or other commercial improvements within the District might be financed. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District, or the undertaking of the construction of future apartments, office, retail or other commercial improvements within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development or the construction of future apartments or future office, retail or other commercial improvements within the District. In addition, since the District is located approximately 20 miles northwest of the central business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect development plans and the construction of future apartments or future office, retail or other commercial improvements in the District and restrain the growth of the District’s property tax base.

Principal Landowners’ Obligations to the District: The ability of any principal land owner 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. The largest component of the District’s 2020 tax roll consists of the land and improvements located within the District owned by 13801 Napoli LLC, the owner of the 363-unit Cypresswood Place Apartments within the District. The 2020 Assessed Valuation of such property comprised approximately 9.10% of the District’s total 2020 Assessed Valuation. The second largest component of the District's 2020 tax roll consists of the land and improvements owned by BR HR Cypress Creek LLC, the owner of the 384-unit Villages of Cypress Creek Apartments, the 2020 Assessed Valuation of which property comprised approximately 7.89% of the District's total 2020 Assessed Valuation. The third largest component of the District's 2020 tax roll consists of the land and improvements owned by BRE Highpoint MF Owner LP, the owner of the 336-unit Highpoint at Cypresswood Apartments within the District. The 2020 Assessed Valuation of such property comprised approximately 7.63% of the District's total 2020 Assessed Valuation. The fourth largest component of the District's 2020 tax roll consists of the land, improvements and personal property owned by Greenwood. The 2020 Assessed Valuation of such property comprised approximately 7.10% of the District's total 2020 Assessed Valuation. The District and Greenwood entered into a tax abatement agreement on August 1, 2018, for a period of ten years. The value of the property in the tax abatement zone is \$6,730,647. After applying the District’s agreement with Greenwood, the value in the zone that will be subject to taxation by the District is \$3,365,323. See “TAX DATA - Tax Abatement in the District.” (The 2020 Assessed Valuation of the land and commercial improvements located within the District owned by Greenwood, Chasewood, MILP and Cypresswood totaled \$75,892,816 and comprised approximately 13.53% of the District’s total 2020 Assessed Valuation). The fifth largest component of the District’s 2020 tax roll consists of the land, improvements and personal property owned by Strata Mandolin, LLC, the owner of the 384-unit Mandolin Apartment Homes within the District. The 2020 Assessed Valuation of such property comprised approximately 6.87% of the District’s total 2020 Assessed Valuation. No other owner of property located within the District owns property the 2020 Assessed Valuation of which exceeded 5.91% of the District’s total 2020 Assessed Valuation. See “TAX DATA - Principal 2020 Taxpayers.”

The District's tax base is currently concentrated in a small number of taxpayers. As is reflected in this Official Statement under the caption "TAX DATA - Principal 2020 Taxpayers," the District's ten principal taxpayers in 2020 owned property located in the District the aggregate Assessed Valuation of which comprised approximately 58.33% of the District's total 2020 Assessed Valuation. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers, or (ii) less concentrated in property owned by a relatively small number of property owners, than it is currently. Failure by one or more of the District's principal property owners to make full and timely payments of taxes due may have an adverse affect on the investment quality or security of the Bonds. If any one or more of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet its debt service requirements. In addition, for so long as the District's tax base continues to be concentrated in a relatively small number of taxpayers, the willingness and ability of such taxpayers to pay maintenance taxes may affect the flow of funds into the District's General Fund. See "APPENDIX B - ANNUAL FINANCIAL REPORT."

As is described in this Official Statement under the caption "DEVELOPERS AND PRINCIPAL LAND OWNERS," approximately 26.72 acres located within the District on which no above-ground improvements have been constructed to date are owned by Greenwood/MILP, and an additional 7.4 acres are owned by another party. Since no party, including Greenwood/MILP, has any obligation to the District to construct any taxable above-ground improvements thereon, the District cannot represent when, or whether, any taxable above-ground improvements might be constructed on any of such land owned by Greenwood/MILP or the other party. Moreover, the District cannot represent the level of occupancy of the commercial and office/medical buildings or apartments that have been constructed within the District. In addition to the aforementioned currently developed land and land available for future development located in the District, there are approximately 66.7 acres located within the District which are contained within pipeline, road and drainage channel rights-of-way, detention pond, water plant and wastewater treatment plant sites, or are otherwise not available for future development. See "FUTURE DEVELOPMENT."

Greenwood petitioned Harris County to create a reinvestment zone over 60.1598 acres of undeveloped property inside the District boundaries, and Harris County granted such petition. See "TAX DATA - Tax Abatement in the District."

Maximum Impact on District Tax Rates: Assuming no further development within the District, the value of the land and improvements currently within the District will be a major determinant of the ability or willingness of District property owners to pay their taxes. The 2020 Assessed Valuation of property located within the District (see "TAX DATA") is \$561,117,795. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Remaining Outstanding Bonds will be \$1,752,000 (2032) and the average annual debt service requirements will be \$1,583,340 (2021 through 2034, inclusive). Assuming no increase to nor decrease from the 2020 Assessed Valuation, assuming no use of funds lawfully available to the District for debt service purposes to augment tax collections, including monies held in the Debt Service Fund and earnings from the investment thereof, and the issuance of no additional bonds by the District, tax rates of \$0.33 and \$0.30 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively, on the Bonds and the Remaining Outstanding Bonds. See "TAX DATA - Tax Rate Calculations."

The District levied a tax of \$0.48 per \$100 of Assessed Valuation for 2019, consisting of debt service and maintenance tax components of \$0.33 and \$0.15 per \$100 of Assessed Valuation, respectively, and has levied a debt service tax rate of \$0.31 per \$100 of Assessed Valuation and a maintenance tax of \$0.15 per \$100 of Assessed Valuation for 2020. As is enumerated above, the 2020 debt service tax rate will be sufficient to pay the average annual debt service requirements but not the maximum annual debt service requirement on the Bonds and the Remaining Outstanding Bonds, assuming taxable values at the level of the 2020 Assessed Valuation, and assuming that the District will have a tax collection rate of 95%, no use of funds lawfully available to the District for debt service purposes to augment tax collections, including monies held in the Debt Service Fund and earnings from the investment thereof, and the issuance of no additional bonds by the District. However, as is illustrated in this Official Statement under the caption "TAX DATA - Historical Values and Tax Collection History," the District has collected an average of 99.95% of its 2009 through 2018 tax levies as of September 30, 2020, and its 2019 levy was 99.71%

collected as of such date. Moreover, the District's Debt Service Fund balance is estimated to be \$1,993,152 as of the date of the delivery of the Bonds. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - ANNUAL AUDIT REPORT"). Therefore, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Remaining Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District has levied for 2020 - \$0.31 per \$100 of Assessed Valuation. In addition to the facilities that the District has financed with portions of the proceeds of the sale of the Prior Bonds, the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention and recreational facilities with portions of the proceeds of the sale of its bonds, if any, to be issued by the District in the future. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by District property owners.

Increases in the District's tax rate to substantially higher levels than the total rate of \$0.46 per \$100 of Assessed Valuation which the District has levied for 2020 may have an adverse impact upon future development of the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be a costly and lengthy process.

As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2019 tax levies of all units of government which levy taxes against the property located within the District, including the District's 2020 debt service levy of \$0.31 per \$100 of Assessed Valuation and maintenance tax levy of \$0.15 per \$100 of Assessed Valuation, is \$2.689207 per \$100 of Assessed Valuation. One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. See "THE BONDS - Registered Owners' Remedies," "TAX DATA - Estimated Overlapping Taxes" and "TAXING PROCEDURES."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, (d) deferral or abatement of a suit to collect taxes for persons 65 or older, or (e) the taxpayer's right to redeem the 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. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond 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. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Registered Owners' Remedies."

The District may not be placed into bankruptcy involuntarily.

Marketability

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

Future Debt

The District has the right to issue the remaining \$5,408,000 authorized but unissued bonds for waterworks, wastewater and drainage facilities and \$1,800,000 authorized but unissued bonds for parks and recreational facilities (see "THE BONDS - Issuance of Additional Debt"), and such additional bonds as may hereafter be approved by the Board and voters of the District. All of the remaining \$5,408,000 bonds for waterworks, wastewater and drainage facilities and the \$1,800,000 for parks and recreational facilities which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$5,408,000 bonds for waterworks, wastewater, drainage and recreational facilities and \$1,800,000 for parks and recreational facilities is also subject to TCEQ authorization.

The District's Engineer estimates that the aforementioned \$5,408,000 authorized bonds which remain unissued will be adequate to finance the construction of all water, wastewater and drainage facilities to provide service to all of the portions of the District on which above-ground improvements have not been constructed as is described in this Official Statement under the captions "DEVELOPMENT OF THE DISTRICT" and "FUTURE DEVELOPMENT." The District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention and recreational facilities with portions of the proceeds of the sale of its bonds, if any, to be issued by the District in the future. See "THE SYSTEM." If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds and the Remaining Outstanding Bonds.

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

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

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

Air Quality Issues

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

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

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

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

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

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

Water Supply & Discharge Issues

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

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

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

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

The District's stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the "Current Permit") issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District's inclusion in the MS4 Permit were required at a future date, the District could incur

substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

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

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

Changes in Tax Legislation

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal 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.

Tropical Weather Events

The Houston area, including the District, is subject to occasional severe tropical weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area, including the District, has experienced four storms exceeding a 0.2% probability (i.e. "500 Year Flood" events) since 2015. The most recent event was 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 District's Operator and Engineer, the District's System did not sustain any material damage and there was no interruption of water and sewer service from Hurricane Harvey. Further, according to the District's Operator, after investigation, although the District experienced street flooding, there was no apparent material wind or water damage to single-family homes or apartment complexes within the District. However, the Kroger Center, the Cypresswood One office building and the medical office building experienced structural flooding. According to the District's Operator, all of such buildings have been repaired and are currently operational.

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

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

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

The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

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

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 slowing the spread of COVID-19 by limiting instances where the public can congregate or interact with each other, which affects economic conditions 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 conditions and financial markets worldwide and within Texas and the Houston area. Stock values and oil prices, in the U.S. and globally, have seen significant declines attributed in part to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

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

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

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of (a) the Attorney General of Texas as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, and all taxable property within the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount, based upon examination of a transcript of certified proceedings held incident to the

issuance and authorization of the Bonds, and (b) the approving legal opinion of Bond Counsel for the District, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal tax purposes, and interest on the Bonds is not subject to the alternative minimum tax on individuals. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS” (except for the information under the subheading “Book-Entry-Only System”), “PLAN OF FINANCING - The Refunded Bonds” and - “Payment of the Refunded Bonds,” “THE DISTRICT - Attorney,” “TAXING PROCEDURES,” “LEGAL MATTERS - Legal Opinions,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has either conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas. McCall, Parkhurst & Horton L.L.P. has acted as Disclosure counsel for the District on certain previous new money financings.

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

No-Litigation Certificate

The District will furnish the Underwriters a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that, to their knowledge, no litigation is pending or threatened 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.

No Material Adverse Change

The obligations of the Underwriters to take up 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 financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been supplemented or amended, through the date of sale.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior

to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor, and the Underwriter, with respect to matters solely within the knowledge of the District, the District's Financial Advisor, and the Underwriter, respectively, which Bond Counsel has not independently verified. Bond Counsel will further rely on the report of Robert Thomas CPA, LLP, Verification Agent (the "Report"), regarding the mathematical accuracy of certain computations. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations or the Report should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

The Code also imposes a twenty percent (20%) alternative minimum tax on the "alternative minimum taxable income" of a corporation, if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than an S corporation, regulated investment company, REIT, REMIC or FASIT) includes seventy-five percent (75%) of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year. Payments on interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the IRS. Additionally, backup withholding may apply to such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

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

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and taxpayers otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

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

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2020 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2020.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS

Robert Thomas CPA, LLP, a firm of independent certified public accountants, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with the Statement on Standards for Consulting Services established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the amounts deposited with Paying Agent for the Refunded Bonds to pay, when due, the principal or redemption price of and interest on 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) the mathematical computations related to certain requirements of City of Houston Ordinance No. 97-416.

Robert Thomas CPA, LLP relied on the accuracy, completeness and reliability of all information provide to it by, and on all decisions and approvals of, the District. In addition, Robert Thomas CPA, LLP has relied on any information provided to it by the District's retained advisors, consultants or legal counsel. Robert Thomas CPA, LLP was not engaged to perform audit or attest services under AICPA auditing or attestation standards or to provide any form of attest report or opinion under such standards in conjunction with this engagement.

OFFICIAL STATEMENT

General

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

The District's financial statements for the fiscal year ended June 30, 2019, were audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, and have been included herein as "APPENDIX B." McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, has agreed to the publication of such financial statements in this Official Statement.

Experts

The information contained in this Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled “THE DISTRICT,” “DEVELOPMENT OF THE DISTRICT,” “FUTURE DEVELOPMENT,” and “THE SYSTEM” has been provided by Dannenbaum Engineering Corporation and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning tax collection rates and valuations contained in the sections captioned “DISTRICT DEBT” and “TAX DATA” was provided by Assessments of the Southwest, Inc. and the Appraisal District. Such information has been included herein in reliance upon Assessments of the Southwest, Inc.’s authority as an expert in the field of tax collection and the Appraisal District’s authority as an expert in the field of tax assessing.

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

If, subsequent to the date of the Official Statement, to and including the date the Underwriters are no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the “SEC”), the District learns, or is notified by the Underwriters, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriters elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriters an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriters; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the “end of the underwriting period” as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the “end of the underwriting period.”

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 (“MSRB”) or any successor to its functions as a repository through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DISTRICT DEBT” and “TAX DATA” and in “APPENDIX B” (the Audit). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2020.

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 updated information will include audited financial statements, if the District's audit is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements within the required time, and audited financial statements when the audit report 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 June 30. Accordingly, it must provide updated information by December 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain 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 determination 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 events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain 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 to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and Beneficial Owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described 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 so provided.

Compliance With Prior Undertakings

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

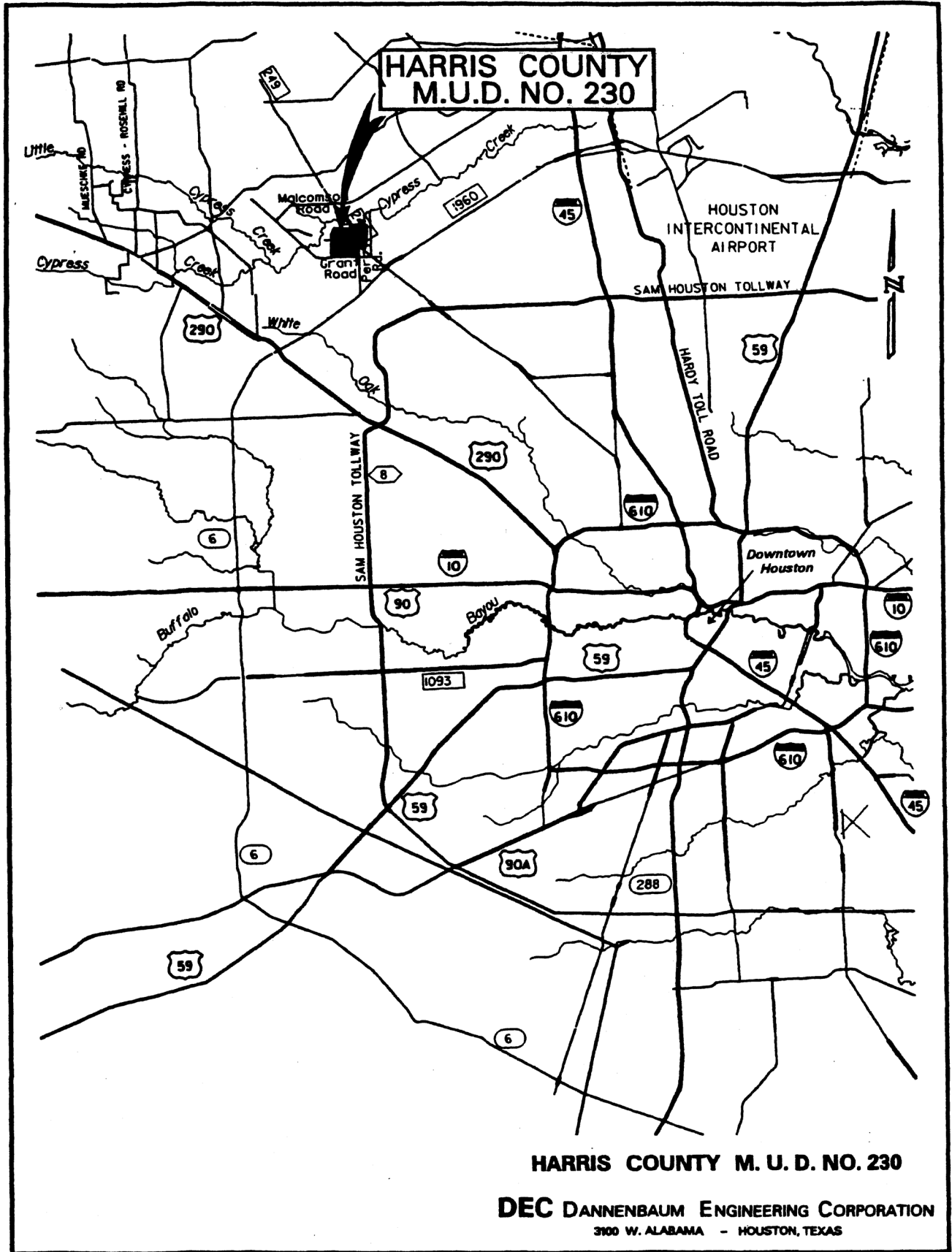
This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 230 as of the date shown on the first page hereof.

/s/ Gary Simpson
President, Board of Directors
Harris County Municipal Utility District No. 230

ATTEST:

/s/ Kathryn Wright
Secretary, Board of Directors
Harris County Municipal Utility District No. 230

APPENDIX A
LOCATION MAP



HARRIS COUNTY M. U. D. NO. 230

DEC DANNENBAUM ENGINEERING CORPORATION
3100 W. ALABAMA - HOUSTON, TEXAS

APPENDIX B

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2019

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2019

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 230
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 230 (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 7, 2019

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Management’s discussion and analysis of Harris County Municipal Utility District No. 230’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$1,607,654 as of June 30, 2019. A portion of the District’s net position reflects its net investment in capital assets (land, construction in progress, and the recreational, water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 7,919,987	\$ 7,507,414	\$ 412,573
Capital Assets (Net of Accumulated Depreciation)	14,341,976	14,759,394	(417,418)
Total Assets	\$ 22,261,963	\$ 22,266,808	\$ (4,845)
Deferred Outflows of Resources	\$ 448,491	\$ 476,743	\$ (28,252)
Bonds Payable	\$ 20,306,741	\$ 21,215,156	\$ 908,415
Other Liabilities	796,059	1,019,746	223,687
Total Liabilities	\$ 21,102,800	\$ 22,234,902	\$ 1,132,102
Net Position:			
Net Investment in Capital Assets	\$ (5,600,697)	\$ (6,127,130)	\$ 526,433
Restricted	2,311,579	2,267,223	44,356
Unrestricted	4,896,772	4,368,556	528,216
Total Net Position	\$ 1,607,654	\$ 508,649	\$ 1,099,005

The following table provides a summary of the District's operations for the years ending June 30, 2019, and June 30, 2018.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,373,701	\$ 2,356,680	\$ 17,021
Charges for Services	1,678,215	1,644,987	33,228
Other Revenues	470,164	419,897	50,267
Total Revenues	\$ 4,522,080	\$ 4,421,564	\$ 100,516
Expenses for Services	3,423,075	3,421,565	(1,510)
Change in Net Position	\$ 1,099,005	\$ 999,999	\$ 99,006
Net Position, Beginning of Year	508,649	(491,350)	999,999
Net Position, End of Year	\$ 1,607,654	\$ 508,649	\$ 1,099,005

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2019, were \$7,211,795, an increase of \$688,802 from the prior year.

The General Fund fund balance increased by \$583,410, primarily due to service, property tax, and sales tax revenues exceeding capital outlay and operating and administrative costs.

The Debt Service Fund fund balance increased by \$105,392, primarily due to the structure of the District's outstanding debt.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors annually adopts an unappropriated budget for the General Fund. Actual revenues were \$28,149 more than budgeted revenues, as a result of higher than anticipated property tax revenues, investment revenues and tap fees offset by lower than anticipated water authority fees. Actual expenditures were \$367,968 less than budgeted expenditures primarily due to maintenance and repairs costs, capital outlay and water authority assessments being less than anticipated.

CAPITAL ASSETS

Capital assets as of June 30, 2019, total \$14,341,976 (net of accumulated depreciation) and include land, construction in progress, and the recreational, water, wastewater and drainage facilities. Capital outlay in the current fiscal year was primarily made up of park renovations and related costs.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 3,366,764	\$ 3,366,764	\$
Construction in Progress	15,491	898,227	(882,736)
Capital Assets, Net of Accumulated Depreciation:			
Recreational Facilities	1,866,386	1,061,358	805,028
Water System	1,897,913	1,985,014	(87,101)
Wastewater System	4,068,363	4,229,490	(161,127)
Drainage System	3,127,059	3,218,541	(91,482)
Total Net Capital Assets	\$ 14,341,976	\$ 14,759,394	\$ (417,418)

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

LONG-TERM DEBT ACTIVITY

As of June 30, 2019, the District had total bond debt payable of \$19,460,000. The changes in the debt position of the District during the fiscal year ended June 30, 2019, are summarized as follows:

Bond Debt Payable, July 1, 2018	\$ 20,255,000
Less: Bond Principal Paid	<u>795,000</u>
Bond Debt Payable, June 30, 2019	<u>\$ 19,460,000</u>

The District carries an underlying rating of “A”. The Series 2010 refunding bonds, Series 2011A, Series 2012 refunding and Series 2015 refunding bonds carry insured ratings of “AA” by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2013 bonds carry an insured rating of “AA” by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2018 refunding bonds carry an insured rating of “AA” by virtue of bond insurance issued by Municipal Assurance Corp. The District’s bond ratings are subject to change based on the changes in the ratings of its insurers and include all changes through June 30, 2019.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The current 2020 budget projects a General Fund fund balance increase of \$319,293. Revenues are budgeted to be \$2,814,500, while expenditures are budgeted to be \$2,495,207.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 230, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 381,362	\$ 1,235,105
Investments	4,401,192	1,368,938
Receivables:		
Property Taxes	5,301	14,350
Penalty and Interest on Delinquent Taxes		
Service Accounts	131,962	
Accrued Interest	7,252	
Water Authority Credits Receivable		
Due from City of Houston	130,673	
Due from Other Funds	56,371	
Prepaid Costs	23,920	
Capital Assets (Net of Accumulated Depreciation):		
Land		
Construction in Progress		
Recreational Facilities		
Water, Wastewater and Drainage Systems		
TOTAL ASSETS	\$ 5,138,033	\$ 2,618,393
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,138,033	\$ 2,618,393

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 1,616,467	\$	\$ 1,616,467
5,770,130		5,770,130
19,651		19,651
	7,859	7,859
131,962		131,962
7,252		7,252
	146,641	146,641
130,673		130,673
56,371	(56,371)	
23,920	65,432	89,352
	3,366,764	3,366,764
	15,491	15,491
	1,866,386	1,866,386
	9,093,335	9,093,335
\$ 7,756,426	\$ 14,505,537	\$ 22,261,963
\$ -0-	\$ 448,491	\$ 448,491
\$ 7,756,426	\$ 14,954,028	\$ 22,710,454

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2019

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 227,729	\$
Accrued Interest Payable		
Due to Other Funds		56,371
Due to Taxpayers		15,275
Security Deposits	225,605	
Long-term Liabilities:		
Accrued Interest on Capital Appreciation Bonds		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 453,334	\$ 71,646
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 5,301	\$ 14,350
FUND BALANCES		
Nonspendable -		
Prepaid Costs	\$ 23,920	\$
Restricted for Debt Service		2,532,397
Unassigned	4,655,478	
TOTAL FUND BALANCES	\$ 4,679,398	\$ 2,532,397
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,138,033	\$ 2,618,393
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 227,729	\$	\$ 227,729
56,371	243,027	243,027
15,275	(56,371)	15,275
225,605		225,605
	84,423	84,423
	905,000	905,000
	<u>19,401,741</u>	<u>19,401,741</u>
<u>\$ 524,980</u>	<u>\$ 20,577,820</u>	<u>\$ 21,102,800</u>
<u>\$ 19,651</u>	<u>\$ (19,651)</u>	<u>\$ - 0 -</u>
\$ 23,920	\$ (23,920)	\$
2,532,397	(2,532,397)	
<u>4,655,478</u>	<u>(4,655,478)</u>	
<u>\$ 7,211,795</u>	<u>\$ (7,211,795)</u>	<u>\$ - 0 -</u>
<u>\$ 7,756,426</u>		
	\$ (5,600,697)	\$ (5,600,697)
	2,311,579	2,311,579
	<u>4,896,772</u>	<u>4,896,772</u>
	<u>\$ 1,607,654</u>	<u>\$ 1,607,654</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balances - Governmental Funds	\$	7,211,795
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Long-term receivables are recorded in governmental activities.		146,641
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Prepaid bond insurance costs are amortized over the term of the bonds in the government-wide financial statements.		65,432
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Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.		448,491
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		14,341,976
--	--	------------

Deferred tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District.		27,510
---	--	--------

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

Accrued Interest Payable	\$	(243,027)		
Accrued Interest on Capital Appreciation Bonds		(84,423)		
Bonds Payable		<u>(20,306,741)</u>		<u>(20,634,191)</u>

Total Net Position - Governmental Activities	\$	<u>1,607,654</u>
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The accompanying notes to the financial statements are an integral part of this report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 729,668	\$ 1,653,657
Water Service	491,296	
Wastewater Service	371,728	
Sales Tax Revenues	346,928	
Water Authority Fees	712,890	
Penalty and Interest	16,009	22,440
Tap Connection and Inspection Fees	64,013	
Investment and Miscellaneous Revenues	96,117	27,119
TOTAL REVENUES	\$ 2,828,649	\$ 1,703,216
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 163,473	\$ 5,532
Contracted Services	256,215	40,173
Water Authority Assessments	707,923	
Utilities	176,102	
Repairs and Maintenance	626,690	
Depreciation		
Other	288,089	2,961
Capital Outlay	26,747	
Debt Service:		
Bond Principal		795,000
Bond Interest		754,158
TOTAL EXPENDITURES/EXPENSES	\$ 2,245,239	\$ 1,597,824
NET CHANGE IN FUND BALANCES	\$ 583,410	\$ 105,392
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2018	4,095,988	2,427,005
FUND BALANCES/NET POSITION - JUNE 30, 2019	\$ 4,679,398	\$ 2,532,397

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 2,383,325	\$ (9,624)	\$ 2,373,701
491,296		491,296
371,728		371,728
346,928		346,928
712,890		712,890
38,449	(161)	38,288
64,013		64,013
<u>123,236</u>	<u> </u>	<u>123,236</u>
<u>\$ 4,531,865</u>	<u>\$ (9,785)</u>	<u>\$ 4,522,080</u>
\$ 169,005	\$	\$ 169,005
296,388		296,388
707,923	46,009	753,932
176,102		176,102
626,690		626,690
	444,165	444,165
291,050		291,050
26,747	(26,747)	
795,000	(795,000)	
<u>754,158</u>	<u>(88,415)</u>	<u>665,743</u>
<u>\$ 3,843,063</u>	<u>\$ (419,988)</u>	<u>\$ 3,423,075</u>
\$ 688,802	\$ (688,802)	\$
	1,099,005	1,099,005
<u>6,522,993</u>	<u>(6,014,344)</u>	<u>508,649</u>
<u>\$ 7,211,795</u>	<u>\$ (5,604,141)</u>	<u>\$ 1,607,654</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances - Governmental Funds	\$	688,802
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		(9,624)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalty and interest are assessed.		(161)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(444,165)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		26,747
In the Statement of Net Position, the bond insurance costs, bond discounts, bond premiums and deferred charges on refunding bonds are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.		78,774
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		795,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		9,641
The credits received from the Authority related to reimbursing the District's capital cost of the water reuse system offset the long-term receivable in governmental activities.		(46,009)
Change in Net Position - Governmental Activities	\$	<u>1,099,005</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 230 was created effective October 20, 1983, by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the "Commission"). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification").

GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has two major governmental funds.

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

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of June 30, 2019, the Debt Service Fund owed the General Fund \$56,371 for tax collections and costs related to the Series 2018 refunding bonds.

Budgeting

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Recreational Facilities	10-45
Water System	10-45
Wastewater System	10-45
Drainage System	20-40
All Other Buildings and Equipment	3-40

Service Accounts Receivable

The District provides for uncollectible accounts receivable through the allowance method of accounting. Under this method a provision for uncollectible accounts is charged to bad debt expense, and the allowance account is increased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the account. At June 30, 2019, the District had no allowance for doubtful accounts.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service determined that fees of office received by Directors to be wages subject to federal income tax withholding for payroll tax purposes only.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District had \$23,920 in nonspendable fund balances related to prepaid security fees.

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

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3. LONG-TERM DEBT

Bonds payable at June 30, 2019, consists of the following:

	<u>Series 2010 Refunding</u>	<u>Series 2011</u>	<u>Series 2011A</u>
Amount Outstanding – June 30, 2019	\$ 540,000	\$ 100,000	\$ 50,000
Interest Rates	4.00%	3.50%	4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2019	September 1, 2019/2020	September 1, 2019/2020
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2017 (1)	September 1, 2018 (1)	September 1, 2018 (1)

	<u>Series 2012 Refunding Bonds</u>	<u>Series 2013 Refunding Bonds</u>	<u>Series 2015 Refunding Bonds</u>
Amount Outstanding – June 30, 2019	\$ 1,770,000	\$ 4,320,000	\$ 3,605,000
Interest Rates	3.00% - 4.00%	2.00% - 4.00%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2029	September 1, 2019/2029	September 1, 2019/2032
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2019 (1)	September 1, 2020 (1)	September 1, 2023 (1)

(1) Or on any other date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2012 Refunding Term Bonds maturing on September 1, 2021, 2023 and 2025 are subject to mandatory redemption beginning September 1, 2020, 2022 and 2024, respectively. Series 2015 Refunding Term Bonds maturing on September 1, 2025, 2027, and 2029 are subject to mandatory redemption beginning on September 1, 2024, 2026, and 2028, respectively.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2017 Refunding Bonds		Series 2018 Refunding Bonds	
	Current Interest Bonds	Capital Appreciation Bonds	Current Interest Bonds	Capital Appreciation Bonds
Amount Outstanding – June 30, 2019	\$ 2,585,000	\$ 35,000	\$ 5,930,000	\$ 525,000
Interest Rates	3.00% - 4.00%	1.75%	2.00% - 4.00%	2.30%
Maturity Dates – Serially Beginning/Ending	September 1, 2019, 2020/2032	September 1, 2019	September 1, 2019/2035	September 1, 2020
Interest Payment Dates	September 1/ March 1	(3)	September 1/ March 1	(3)
Callable Dates	September 1, 2024 (2)	Non-Callable	September 1, 2023 (2)	Non-Callable

- (2) Or on any other date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2017 Refunding Term Bonds maturing on September 1, 2026 and 2029 are subject to mandatory redemption beginning on September 1, 2024 and 2027, respectively. Series 2018 Refunding Term Bonds maturing on September 1, 2033 are subject to mandatory redemption beginning on September 1, 2032.
- (3) The Series 2017 Capital Appreciation Bonds are non-callable. The par value of the Capital Appreciation Bonds is \$35,000 and the maturity value is \$75,000. Interest on these bonds will be paid at maturity. At June 30, 2019, the accreted value of these bonds is approximately \$74,349. Accrued interest of \$39,349 has been recorded in the Statement of Net Position. The Series 2018 Capital Appreciation Bonds are non-callable. The par value of the Capital Appreciation Bonds is \$525,000 and the maturity value is \$590,000. Interest on these bonds will be paid at maturity. At June 30, 2019, the accreted value of these bonds is approximately \$570,074. Accrued interest of \$45,074 has been recorded in the Statement of Net Position.

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

	July 1, 2018	Additions	Retirements	June 30, 2019
Bonds Payable	\$ 20,255,000	\$	\$ (795,000)	\$ 19,460,000
Unamortized Discounts	(17,314)		14,939	(2,375)
Unamortized Premiums	977,470		(128,354)	849,116
Bonds Payable, Net	<u>\$ 21,215,156</u>	<u>\$ -0-</u>	<u>\$ (908,415)</u>	<u>\$ 20,306,741</u>
			Amount Due Within One Year	\$ 905,000
			Amount Due After One Year	19,401,741
			Bonds Payable, Net	<u>\$ 20,306,741</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3. LONG-TERM DEBT (Continued)

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

Fiscal Year	Principal	Interest	Total
2020	\$ 905,000	\$ 751,050	\$ 1,656,050
2021	905,000	754,850	1,659,850
2022	970,000	672,675	1,642,675
2023	1,000,000	642,950	1,642,950
2024	1,030,000	605,200	1,635,200
2025-2029	5,585,000	2,380,900	7,965,900
2030-2034	7,030,000	1,124,200	8,154,200
2035-2036	2,035,000	67,500	2,102,500
	<u>\$ 19,460,000</u>	<u>\$ 6,999,325</u>	<u>\$ 26,459,325</u>

As of June 30, 2019, the District had authorized but unissued bonds in the amount of \$5,408,000 for utility facilities and authorized but unissued bonds in the amount of \$1,800,000 for parks and recreational facilities.

During the year ended June 30, 2019, the District levied an ad valorem debt service tax rate of \$0.34 per \$100 of assessed valuation, which resulted in a tax levy of \$1,672,033 on the adjusted taxable valuation of \$491,774,304 for the 2018 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

The District's tax calendar is as follows:

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

NOTE 4. SIGNIFICANT BOND RESOLUTIONS AND LEGAL REQUIREMENTS

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4. SIGNIFICANT BOND RESOLUTIONS AND LEGAL REQUIREMENTS
(Continued)

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

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$2,166,107 and the bank balance was \$2,193,645. Of the bank balance, \$2,042,879 was covered by federal depository insurance and the remaining balance was covered by collateral pledged in the name of the District and held in a third party depository.

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

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 381,362	\$ 549,640	\$ 931,002
DEBT SERVICE FUND	1,235,105		1,235,105
TOTAL DEPOSITS	\$ 1,616,467	\$ 549,640	\$ 2,166,107

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

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

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool. The District records its investments in certificates of deposit at acquisition cost.

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

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 3,851,552	\$ 3,851,552
Certificates of Deposit	549,640	549,640
<u>DEBT SERVICE FUND</u>		
TexPool	1,368,938	1,368,938
TOTAL INVESTMENTS	\$ 5,770,130	\$ 5,770,130

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2019, the District’s investment in TexPool was rated AAAM by Standard and Poor’s. The District also manages credit risk by investing in certificates of deposit covered by FDIC insurance and pledged collateral.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers its investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

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

NOTE 6. CAPITAL ASSETS

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

	July 1, 2018	Increases	Decreases	June 30, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 3,366,764	\$	\$	\$ 3,366,764
Construction in Progress	898,227	26,747	909,483	15,491
Total Capital Assets Not Being Depreciated	\$ 4,264,991	\$ 26,747	\$ 909,483	\$ 3,382,255
Capital Assets Subject to Depreciation				
Recreational Facilities	\$ 1,531,230	\$ 907,998	\$	\$ 2,439,228
Water System	3,466,364	1,485	\$	3,467,849
Wastewater System	6,982,440			6,982,440
Drainage System	3,980,848			3,980,848
Total Capital Assets Subject to Depreciation	\$ 15,960,882	\$ 909,483	\$ - 0 -	\$ 16,870,365
Accumulated Depreciation				
Recreational Facilities	\$ 469,872	\$ 102,970	\$	\$ 572,842
Water System	1,481,350	88,586	\$	1,569,936
Wastewater System	2,752,950	161,127		2,914,077
Drainage System	762,307	91,482		853,789
Total Accumulated Depreciation	\$ 5,466,479	\$ 444,165	\$ - 0 -	\$ 5,910,644
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 10,494,403	\$ 465,318	\$ - 0 -	\$ 10,959,721
Total Capital Assets, Net of Accumulated Depreciation	\$ 14,759,394	\$ 492,065	\$ 909,483	\$ 14,341,976

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7. MAINTENANCE TAX

At an election held on May 7, 1994, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to fund expenditures of operating the District's facilities as well as other lawful general and administrative costs. During the year ended June 30, 2019, the District levied an ad valorem maintenance tax rate of \$0.15 per \$100 of assessed valuation, which resulted in a tax levy of \$737,661 on the adjusted taxable valuation of \$491,774,304 for the 2018 tax year. On November 7, 2006, the voters of the District also approved the use of the maintenance tax of \$1.50 per \$100 of assessed valuation to fund the park facilities.

NOTE 8. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the North Harris County Regional Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the "Act"), as passed by the 75th Texas Legislature, in 1999. The Act, as amended, empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority is overseeing that its participants comply with the Harris-Galveston Subsidence District pumpage requirements. The Authority charges a fee, based on the amount of water pumped from a well, to the owners of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. As of June 30, 2019, the current fee was \$3.85 per 1,000 gallons of water pumped from each well. The District recorded expenditures of \$707,923 for fees assessed during the current fiscal year.

On January 16, 2015, the District entered into an Alternative Water Use Incentive Agreement with the Authority. The District received approval from the Commission authorizing the reuse of Type 1 wastewater effluent from the District's 760,000 gallons-per-day wastewater treatment plant to be used for the irrigation of landscapes and public parks and for wastewater treatment plant use. Upon execution of the agreement, the District received a credit of \$28,486, or 10% of the capital cost of the system. Additional credits are given on a monthly basis equal to \$0.75 per 1,000 gallons of metered alternative water use during the preceding month. Total credits are not to exceed the capital cost of the system of \$284,866. Credits received in the current fiscal year totaled \$46,009 leaving a balance of \$146,641 to be received in future years.

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10. STRATEGIC PARTNERSHIP AGREEMENT

Effective December 2, 2002, and as amended on November 7, 2011, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the “Tract” for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Tract within the boundaries of the District.

The City shall impose a Sales and Use Tax within the boundaries of the Tract upon the limited-purpose annexation of the Tract. The Sales and Use Tax shall be imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City agreed to pay to the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Tract. The City agreed to deliver to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Comptroller’s office. During the fiscal year ended June 30, 2019, the District received sales tax revenues of \$346,928, of which approximately \$130,673 is recorded as a receivable as of year-end.

The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from December 2, 2002.

NOTE 11. EMERGENCY WATER SUPPLY AGREEMENTS

On December 5, 2011, the District entered into an Emergency Water Supply Agreement with Cypress Creek Utility District (“Cypress Creek”) for an alternate water supply available for emergencies. Each district will sell and deliver water to the receiving district at a cost of \$1.00 per 1,000 gallons of water supplied based on the interconnect meter reading by the supplying district’s operator. In addition, the receiving district will pay the per gallon pumpage fee charged to the supplying district by the Authority. Except during an emergency, either district may draw water only with written consent of the other District. The term of this agreement is 40 years.

On June 9, 2016, the District entered into an Emergency Water Supply Agreement with Prestonwood Forest Utility District (“Prestonwood”) for an alternate water supply available for emergencies. Each district will deliver water to the receiving district at a cost of either (i) in kind, by redelivery of a like quantity of water to the supplying District, or (ii) at the rate paid by the supplying District per 1,000 gallons to purchase surface water plus an additional \$0.25 per 1,000 gallons. Except during an emergency, either district may draw water only with written consent of the other District. The term of this agreement is 20 years.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Actual	Variance Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property Taxes	\$ 633,000	\$ 729,668	\$ 96,668
Water Service	500,000	491,296	(8,704)
Wastewater Service	380,000	371,728	(8,272)
Sales Tax Revenues	320,000	346,928	26,928
Water Authority Fees	900,000	712,890	(187,110)
Penalty and Interest	15,000	16,009	1,009
Tap Connection and Inspection Fees	17,000	64,013	47,013
Investment and Miscellaneous Revenues	<u>35,500</u>	<u>96,117</u>	<u>60,617</u>
TOTAL REVENUES	<u>\$ 2,800,500</u>	<u>\$ 2,828,649</u>	<u>\$ 28,149</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 186,000	\$ 163,473	\$ 22,527
Contracted Services	264,800	256,215	8,585
Water Authority Assessments	815,000	707,923	107,077
Utilities	194,000	176,102	17,898
Repairs and Maintenance	801,107	626,690	174,417
Other	197,300	288,089	(90,789)
Capital Outlay	<u>155,000</u>	<u>26,747</u>	<u>128,253</u>
TOTAL EXPENDITURES	<u>\$ 2,613,207</u>	<u>\$ 2,245,239</u>	<u>\$ 367,968</u>
NET CHANGE IN FUND BALANCE	\$ 187,293	\$ 583,410	\$ 396,117
FUND BALANCE - JULY 1, 2018	<u>4,095,988</u>	<u>4,095,988</u>	<u> </u>
FUND BALANCE - JUNE 30, 2019	<u>\$ 4,283,281</u>	<u>\$ 4,679,398</u>	<u>\$ 396,117</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

JUNE 30, 2019

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2019**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective February 12, 2017.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 15.00	8,000	N	\$ 1.00 1.50	8,001 to 20,000 20,001 and up
WASTEWATER:	\$ 10.00	8,000	N	\$ 1.00	8,001 and up
SURCHARGE:					
Regional Water Authority Fees	\$4.235 per 1,000 gallons of water usage				

District employs winter averaging for wastewater usage?

_____	<u> X </u>
Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$17.00 Wastewater: \$12.00 Surcharge: \$42.35 Total: \$71.35

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2019

2. RETAIL SERVICE PROVIDERS (Continued)

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	<u>23</u>	<u>23</u>	x 1.0	<u>23</u>
≤¾"	<u>783</u>	<u>775</u>	x 1.0	<u>775</u>
1"	<u>40</u>	<u>40</u>	x 2.5	<u>100</u>
1½"	<u>10</u>	<u>10</u>	x 5.0	<u>50</u>
2"	<u>53</u>	<u>53</u>	x 8.0	<u>424</u>
3"	<u>3</u>	<u>3</u>	x 15.0	<u>45</u>
4"	<u>2</u>	<u>2</u>	x 25.0	<u>50</u>
6"	<u>4</u>	<u>4</u>	x 50.0	<u>200</u>
8"	<u>2</u>	<u>2</u>	x 80.0	<u>160</u>
10"	<u> </u>	<u> </u>	x 115.0	<u> </u>
Total Water Connections	<u>920</u>	<u>912</u>		<u>1,827</u>
Total Wastewater Connections	<u>839</u>	<u>831</u>	x 1.0	<u>831</u>

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

Gallons pumped into system:	212,680,000	Water Accountability Ratio: 90%
		(Gallons billed/Gallons pumped)
Gallons billed to customers:	190,462,000	
Total gallons sold:	50,000	To: Cypress Creek Utility District

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2019

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2019

PROFESSIONAL FEES:	
Arbitrage Compliance Service	\$ 10,000
Auditing	16,500
Engineering	38,036
Legal	<u>98,937</u>
TOTAL PROFESSIONAL FEES	<u>\$ 163,473</u>
CONTRACTED SERVICES:	
Operator	\$ 78,176
Bookkeeper	<u>18,056</u>
TOTAL CONTRACTED SERVICES	<u>\$ 96,232</u>
UTILITIES:	
Electricity	\$ 151,134
Telephone	<u>24,968</u>
TOTAL UTILITIES	<u>\$ 176,102</u>
REPAIRS AND MAINTENANCE	<u>\$ 626,690</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes and Administration	\$ 23,162
Insurance	20,006
Office Supplies and Postage	32,742
Other	49,747
Travel and Meetings	<u>13,942</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 139,599</u>
CAPITAL OUTLAY	<u>\$ 26,747</u>
TAP CONNECTIONS	<u>\$ 61,627</u>
SECURITY	<u>\$ 159,983</u>
OTHER EXPENDITURES:	
Chemicals	\$ 14,953
Inspection Fees	13,617
Laboratory	44,820
Permit Fees	9,207
Water Authority Assessments	707,923
Regulatory Assessment	<u>4,266</u>
TOTAL OTHER EXPENDITURES	<u>\$ 794,786</u>
TOTAL EXPENDITURES	<u>\$ 2,245,239</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
INVESTMENTS
JUNE 30, 2019

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 3,851,552	\$
Certificate of Deposit	XXXX0190	1.25%	07/05/19	99,439	207
Certificate of Deposit	XXXX4198	2.35%	07/19/19	242,031	5,392
Certificate of Deposit	XXXX0172	2.30%	08/23/19	<u>208,170</u>	<u>1,653</u>
TOTAL GENERAL FUND				<u>\$ 4,401,192</u>	<u>\$ 7,252</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	<u>\$ 1,368,938</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 5,770,130</u>	<u>\$ 7,252</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2019

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JULY 1, 2018	\$	8,097		\$ 21,178
Adjustments to Beginning				
Balance		<u>(4,801)</u>	\$ 3,296	<u>(11,231)</u> \$ 9,947
Original 2018 Tax Levy	\$	714,315		\$ 1,619,115
Adjustment to 2018 Tax Levy		<u>23,346</u>	<u>737,661</u>	<u>52,918</u> <u>1,672,033</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 740,957		\$ 1,681,980
TAX COLLECTIONS:				
Prior Years	\$	370		\$ 981
Current Year		<u>735,286</u>	<u>735,656</u>	<u>1,666,649</u> <u>1,667,630</u>
TAXES RECEIVABLE -				
JUNE 30, 2019		<u>\$ 5,301</u>		<u>\$ 14,350</u>
TAXES RECEIVABLE BY				
YEAR:				
2018		\$ 2,375		\$ 5,384
2017		1,051		2,453
2016		841		2,222
2015		176		477
2014		156		204
2013 and prior		<u>702</u>		<u>3,610</u>
TOTAL		<u>\$ 5,301</u>		<u>\$ 14,350</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2019

	2018	2017	2016	2015
PROPERTY VALUATIONS:				
Land	\$ 113,986,067	\$ 104,796,795	\$ 103,606,194	\$ 98,900,859
Improvements	384,044,026	389,840,727	380,133,674	349,451,425
Personal Property	21,269,402	18,685,811	20,305,686	19,172,753
Exemptions	(27,525,191)	(28,362,639)	(17,555,248)	(12,509,373)
TOTAL PROPERTY VALUATIONS	\$ 491,774,304	\$ 484,960,694	\$ 486,490,306	\$ 455,015,664
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.34	\$ 0.35	\$ 0.37	\$ 0.38
Maintenance	0.15	0.15	0.14	0.14
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.49	\$ 0.50	\$ 0.51	\$ 0.52
ADJUSTED TAX LEVY*	\$ 2,409,694	\$ 2,424,804	\$ 2,481,101	\$ 2,336,588
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	99.68 %	99.86 %	99.88 %	99.97 %

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on May 7, 1994.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

REFUNDING SERIES - 2010

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 540,000	\$ 10,800	\$ 550,800
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
	<u>\$ 540,000</u>	<u>\$ 10,800</u>	<u>\$ 550,800</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

S E R I E S - 2 0 1 1			
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 50,000	\$ 2,625	\$ 52,625
2021	50,000	875	50,875
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
	\$ 100,000	\$ 3,500	\$ 103,500

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

S E R I E S - 2 0 1 1 A			
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 25,000	\$ 1,500	\$ 26,500
2021	25,000	500	25,500
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
	\$ 50,000	\$ 2,000	\$ 52,000

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

REFUNDING SERIES - 2012

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 95,000	\$ 68,425	\$ 163,425
2021	100,000	65,000	165,000
2022	100,000	61,000	161,000
2023	105,000	56,900	161,900
2024	110,000	52,600	162,600
2025	110,000	48,200	158,200
2026	115,000	43,700	158,700
2027	240,000	36,600	276,600
2028	255,000	26,700	281,700
2029	265,000	16,300	281,300
2030	275,000	5,500	280,500
2031			
2032			
2033			
2034			
2035			
2036			
	<u>\$ 1,770,000</u>	<u>\$ 480,925</u>	<u>\$ 2,250,925</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

REFUNDING SERIES - 2013

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 30,000	\$ 171,250	\$ 201,250
2021	30,000	170,500	200,500
2022	35,000	169,525	204,525
2023	450,000	160,000	610,000
2024	465,000	141,700	606,700
2025	490,000	122,600	612,600
2026	515,000	102,500	617,500
2027	535,000	81,500	616,500
2028	565,000	59,500	624,500
2029	590,000	36,400	626,400
2030	615,000	12,300	627,300
2031			
2032			
2033			
2034			
2035			
2036			
	<u>\$ 4,320,000</u>	<u>\$ 1,227,775</u>	<u>\$ 5,547,775</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

REFUNDING SERIES - 2015

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 90,000	\$ 133,200	\$ 223,200
2021	90,000	131,400	221,400
2022	110,000	129,400	239,400
2023	110,000	127,200	237,200
2024	105,000	125,050	230,050
2025	105,000	121,900	226,900
2026	105,000	117,700	222,700
2027	130,000	113,000	243,000
2028	130,000	107,800	237,800
2029	130,000	102,600	232,600
2030	125,000	97,500	222,500
2031	750,000	80,000	830,000
2032	790,000	49,200	839,200
2033	835,000	16,700	851,700
2034			
2035			
2036			
	<u>\$ 3,605,000</u>	<u>\$ 1,452,650</u>	<u>\$ 5,057,650</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

REFUNDING SERIES - 2017

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 35,000	\$ 140,550	\$ 175,550
2021	85,000	99,275	184,275
2022	60,000	97,100	157,100
2023	70,000	95,150	165,150
2024	70,000	93,050	163,050
2025	75,000	90,500	165,500
2026	85,000	87,300	172,300
2027	70,000	84,200	154,200
2028	80,000	81,200	161,200
2029	90,000	77,800	167,800
2030	100,000	74,000	174,000
2031	580,000	60,400	640,400
2032	600,000	36,800	636,800
2033	620,000	12,400	632,400
2034			
2035			
2036			
	<u>\$ 2,620,000</u>	<u>\$ 1,129,725</u>	<u>\$ 3,749,725</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

REFUNDING SERIES - 2018

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 40,000	\$ 222,700	\$ 262,700
2021	525,000	287,300	812,300
2022	665,000	215,650	880,650
2023	265,000	203,700	468,700
2024	280,000	192,800	472,800
2025	290,000	181,400	471,400
2026	300,000	169,600	469,600
2027	105,000	161,500	266,500
2028	105,000	157,300	262,300
2029	105,000	153,100	258,100
2030	105,000	148,900	253,900
2031	100,000	144,800	244,800
2032	100,000	140,800	240,800
2033	100,000	136,800	236,800
2034	1,335,000	108,100	1,443,100
2035	1,365,000	54,100	1,419,100
2036	670,000	13,400	683,400
	<u>\$ 6,455,000</u>	<u>\$ 2,691,950</u>	<u>\$ 9,146,950</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 905,000	\$ 751,050	\$ 1,656,050
2021	905,000	754,850	1,659,850
2022	970,000	672,675	1,642,675
2023	1,000,000	642,950	1,642,950
2024	1,030,000	605,200	1,635,200
2025	1,070,000	564,600	1,634,600
2026	1,120,000	520,800	1,640,800
2027	1,080,000	476,800	1,556,800
2028	1,135,000	432,500	1,567,500
2029	1,180,000	386,200	1,566,200
2030	1,220,000	338,200	1,558,200
2031	1,430,000	285,200	1,715,200
2032	1,490,000	226,800	1,716,800
2033	1,555,000	165,900	1,720,900
2034	1,335,000	108,100	1,443,100
2035	1,365,000	54,100	1,419,100
2036	670,000	13,400	683,400
	<u>\$ 19,460,000</u>	<u>\$ 6,999,325</u>	<u>\$ 26,459,325</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2019

Description	Original Bonds Issued	Bonds Outstanding July 1, 2018
Harris County Municipal Utility District No. 230 Unlimited Tax Refunding Bonds - Series 2010	\$ 5,495,000	\$ 1,050,000
Harris County Municipal Utility District No. 230 Unlimited Tax Bonds - Series 2010 Park Bonds	3,000,000	65,000
Harris County Municipal Utility District No. 230 Unlimited Tax Bonds - Series 2011	2,325,000	150,000
Harris County Municipal Utility District No. 230 Unlimited Tax Bonds - Series 2011A	2,770,000	75,000
Harris County Municipal Utility District No. 230 Unlimited Tax Refunding Bonds - Series 2012	2,125,000	1,860,000
Harris County Municipal Utility District No. 230 Unlimited Tax Refunding Bonds - Series 2013	4,470,000	4,350,000
Harris County Municipal Utility District No. 230 Unlimited Tax Refunding Bonds - Series 2015	3,700,000	3,625,000
Harris County Municipal Utility District No. 230 Unlimited Tax Refunding Bonds - Series 2017	2,655,000	2,625,000
Harris County Municipal Utility District No. 230 Unlimited Tax Refunding Bonds - Series 2018	<u>6,455,000</u>	<u>6,455,000</u>
TOTAL	<u>\$ 32,995,000</u>	<u>\$ 20,255,000</u>

See accompanying independent auditor's report.

Current Year Transactions				Bonds Outstanding June 30, 2019	Paying Agent
Bonds Sold	Retirements				
	Principal	Interest			
\$	\$ 510,000	\$ 33,075	\$ 540,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	65,000	1,138	-0-	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	50,000	4,250	100,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	25,000	2,437	50,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	90,000	71,200	1,770,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	30,000	171,850	4,320,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	20,000	209,100	3,605,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	5,000	100,600	2,620,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
		160,508	6,455,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
<u>\$ - 0 -</u>	<u>\$ 795,000</u>	<u>\$ 754,158</u>	<u>\$ 19,460,000</u>		

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2019

Bond Authority:	<u>Utility Bonds</u>	<u>Recreational Facilities Bonds</u>
Amount Authorized by Voters	\$ 30,603,000	\$ 4,800,000
Amount Issued	<u>25,195,000</u>	<u>3,000,000</u>
Remaining to be Issued	<u>\$ 5,408,000</u>	<u>\$ 1,800,000</u>
Debt Service Fund cash and investment balances as of June 30, 2019:		<u>\$ 2,604,043</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 1,556,431</u>

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

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 729,668	\$ 706,169	\$ 664,803
Water Service	491,296	477,906	507,664
Wastewater Service	371,728	367,213	369,920
Sales Tax Revenues	346,928	351,645	347,120
Water Authority Fees	712,890	674,203	573,210
Penalty and Interest	16,009	19,140	16,299
Tap Connection and Inspection Fees	64,013	97,548	
Investment and Miscellaneous Revenues	96,117	51,914	18,390
TOTAL REVENUES	<u>\$ 2,828,649</u>	<u>\$ 2,745,738</u>	<u>\$ 2,497,406</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 163,473	\$ 180,173	\$ 153,958
Contracted Services	256,215	255,269	184,720
Water Authority Assessments	707,923	655,147	559,009
Utilities	176,102	208,685	217,595
Repairs and Maintenance	626,690	512,427	500,386
Other	288,089	185,793	185,604
Capital Outlay	26,747	1,017,821	358,063
TOTAL EXPENDITURES	<u>\$ 2,245,239</u>	<u>\$ 3,015,315</u>	<u>\$ 2,159,335</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 583,410</u>	<u>\$ (269,577)</u>	<u>\$ 338,071</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	<u>\$ - 0 -</u>	<u>\$ (17,777)</u>	<u>\$ (8,100)</u>
NET CHANGE IN FUND BALANCE	\$ 583,410	\$ (287,354)	\$ 329,971
BEGINNING FUND BALANCE	<u>4,095,988</u>	<u>4,383,342</u>	<u>4,053,371</u>
ENDING FUND BALANCE	<u>\$ 4,679,398</u>	<u>\$ 4,095,988</u>	<u>\$ 4,383,342</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 634,649	\$ 909,404	25.7 %	25.6 %	26.6 %	25.7 %	37.4 %
507,964	471,898	17.4	17.4	20.3	20.6	19.5
375,434	362,457	13.1	13.4	14.8	15.2	14.9
358,570	253,706	12.3	12.8	13.9	14.5	10.5
469,912	387,166	25.2	24.6	23.0	19.0	16.0
16,314	15,159	0.6	0.7	0.7	0.7	0.6
95,964	19,386	2.3	3.6		3.9	0.8
11,623	6,592	3.4	1.9	0.7	0.4	0.3
<u>\$ 2,470,430</u>	<u>\$ 2,425,768</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 131,339	\$ 191,925	5.8 %	6.6 %	6.3 %	5.3 %	7.9 %
182,733	175,081	9.1	9.3	7.4	7.4	7.2
459,889	370,893	25.0	23.8	22.4	18.6	15.3
193,382	183,526	6.2	7.6	8.7	7.8	7.6
574,963	530,699	22.2	18.7	20.0	23.3	21.9
223,835	191,002	10.2	6.8	7.4	9.1	7.9
	57,695	0.9	37.0	14.3		2.4
<u>\$ 1,766,141</u>	<u>\$ 1,700,821</u>	<u>79.4 %</u>	<u>109.8 %</u>	<u>86.5 %</u>	<u>71.5 %</u>	<u>70.2 %</u>
\$ 704,289	\$ 724,947	20.6 %	(9.8) %	13.5 %	28.5 %	29.8 %
\$ 31,477	\$ - 0 -					
\$ 735,766	\$ 724,947					
3,317,605	2,592,658					
<u>\$ 4,053,371</u>	<u>\$ 3,317,605</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 1,653,657	\$ 1,642,869	\$ 1,756,083
Penalty and Interest	22,440	8,045	6,281
Investment and Miscellaneous Revenues	27,119	16,338	12,747
TOTAL REVENUES	\$ 1,703,216	\$ 1,667,252	\$ 1,775,111
EXPENDITURES			
Tax Collection Expenditures	\$ 43,166	\$ 41,477	\$ 37,772
Debt Service Principal	795,000	785,000	810,000
Debt Service Interest and Fees	759,658	897,436	947,602
Bond Issuance Costs		250,352	124,278
Payment to Refunded Bond Escrow Agent			
TOTAL EXPENDITURES	\$ 1,597,824	\$ 1,974,265	\$ 1,919,652
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 105,392	\$ (307,013)	\$ (144,541)
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$	\$ 17,777	\$ 8,100
Proceeds from Sale of Refunding Bonds		6,455,000	2,655,000
Transfer to Refunded Bond Escrow Agent		(6,566,672)	(2,712,303)
Bond Premium		262,677	197,974
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ 168,782	\$ 148,771
NET CHANGE IN FUND BALANCE	\$ 105,392	\$ (138,231)	\$ 4,230
BEGINNING FUND BALANCE	2,427,005	2,565,236	2,561,006
ENDING FUND BALANCE	\$ 2,532,397	\$ 2,427,005	\$ 2,565,236
TOTAL ACTIVE RETAIL WATER CONNECTIONS	912	884	899
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	831	811	813

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 1,722,903	\$ 1,183,987	97.1 %	98.5 %	98.9 %	99.3 %	97.0 %
7,463	7,550	1.3	0.5	0.4	0.4	0.6
5,377	29,466	1.6	1.0	0.7	0.3	2.4
<u>\$ 1,735,743</u>	<u>\$ 1,221,003</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 48,712	\$ 36,944	2.5 %	2.5 %	2.1 %	2.8 %	3.0 %
760,000	655,000	46.7	47.1	45.6	43.8	53.6
880,899	997,469	44.6	53.8	53.4	50.8	81.7
163,598			15.0	7.0	9.4	
7,000					0.4	
<u>\$ 1,860,209</u>	<u>\$ 1,689,413</u>	<u>93.8 %</u>	<u>118.4 %</u>	<u>108.1 %</u>	<u>107.2 %</u>	<u>138.3 %</u>
<u>\$ (124,466)</u>	<u>\$ (468,410)</u>	<u>6.2 %</u>	<u>(18.4) %</u>	<u>(8.1) %</u>	<u>(7.2) %</u>	<u>(38.3) %</u>
\$ 3,700,000	\$					
(3,867,205)						
340,895						
<u>\$ 173,690</u>	<u>\$ - 0 -</u>					
\$ 49,224	\$ (468,410)					
2,511,782	2,980,192					
<u>\$ 2,561,006</u>	<u>\$ 2,511,782</u>					
901	894					
<u>815</u>	<u>810</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2019

District Mailing Address - Harris County Municipal Utility District No. 230
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended June 30, 2019	Expense Reimbursements for the year ended June 30, 2019	Title
Gary Simpson	05/18 05/22 (Elected)	\$ 4,500	\$ 1,876	President
Paul Raschke	05/18 05/22 (Elected)	\$ 2,700	\$ 1,791	Vice President
Karla Velasquez	04/18 05/20 (Appointed)	\$ 3,300	\$ 2,184	Assistant Vice President
Kathryn Wright	05/16 05/20 (Elected)	\$ 4,350	\$ 2,160	Secretary
Luke Grainge	05/16 05/20 (Elected)	\$ 3,300	\$ 1,436	Assistant Secretary

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

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

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on July 2, 2001. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2019

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended June 30, 2019</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	07/28/03	\$ 98,937	General Counsel
McCall Gibson Swedlund Barfoot PLLC	07/07/08	\$ 16,500	Auditor
District Data Services	10/21/83	\$ 18,056	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/04/96	\$ 5,532	Delinquent Tax Attorney
Dannenbaum Engineering Corp.	10/21/83	\$ 38,036	Engineer
Rathmann & Associates	06/02/03	\$ -0-	Financial Advisor
Stephanie Viator	11/06/06	\$ -0-	Investment Officer
Talley Landscape Architects, Inc.	11/09/09	\$ 21,076	Landscape Architect
Regional Water Corporation	03/01/09	\$ 497,352	Operator
Harris County	03/24/08	\$ 138,330	Security
Craig Darlow	01/05/15	\$ 19,920	Security Officer
Assessments of the Southwest, Inc.	04/05/84	\$ 17,011	Tax Assessor/ Collector

See accompanying independent auditor's report.

SPECIMEN OF 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

