**OFFICIAL STATEMENT DATED DECEMBER 3, 2020**

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF GREEN TRAILS MUNICIPAL UTILITY DISTRICT OF HARRIS COUNTY, TEXAS. IN THE OPINION OF SPECIAL TAX COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE "LEGAL MATTERS" AND "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINIONS OF BOND COUNSEL AND SPECIAL TAX COUNSEL, RESPECTIVELY.

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

**NEW ISSUE-Book-Entry Only**

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

**$1,370,000**

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT OF HARRIS COUNTY, TEXAS

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

## UNLIMITED TAX REFUNDING BONDS, SERIES 2021

The bonds described above (the "Bonds") are obligations solely of Green Trails Municipal Utility District of Harris County, Texas (the "District") and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District.

**Dated: January 1, 2021** **Due: April 1, as shown below**

Principal of the Bonds will be payable at maturity at the principal payment office of the Paying Agent/Registrar, initially, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from January 1, 2021 and will be payable on April 1 and October 1 of each year commencing April 1, 2021, until maturity and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of $5,000 each or integral multiples thereof. The Bonds will be subject to optional redemption prior to maturity, as shown below.

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

ASSURED GUARANTY MUNICIPAL

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

### MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

| Due (April 1) | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP Number (b) | Due (April 1) | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP Number (b) |
|---|---|---|---|---|---|---|---|---|---|
| 2022 | $115,000 | 3.000 % | 0.400 % | 393500 FN8 | 2026 | $135,000 | 3.000 % | 0.920 % | 393500 FS7 |
| 2023 | 120,000 | 3.000 | 0.540 | 393500 FP3 | 2027 | 140,000 (c) | 2.000 | 1.020 | 393500 FT5 |
| 2024 | 130,000 | 3.000 | 0.690 | 393500 FQ1 | 2028 | 140,000 (c) | 2.000 | 1.140 | 393500 FU2 |
| 2025 | 135,000 | 3.000 | 0.840 | 393500 FR9 | 2029 | 150,000 (c) | 2.000 | 1.240 | 393500 FV0 |

$305,000 Term Bonds due April 1, 2031 (c), 393500 FX6 (b), 2.000% Interest Rate, 1.500% Yield (a)

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(a) Initial yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed. Accrued interest from January 1, 2021 is to be added to the price.

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

(c) Bonds maturing on or after April 1, 2027 are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on April 1, 2026, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS" herein.

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Bond Counsel, Houston, Texas, and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel. Certain legal matters will be passed on for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Underwriter's Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about January 7, 2021.

**SAMCO CAPITAL**

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## USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Schwartz, Page & Harding, L.L.P., 1300 Post Oak Blvd., Suite 1400, Houston, Texas 77056 upon payment of the costs of duplication therefor.

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

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

## SALE AND DISTRIBUTION OF THE BONDS

**The Underwriter**

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the "Underwriter") pursuant to a bond purchase agreement with the District (the "Bond Purchase Agreement") at a price of $1,422,119.56 (representing the principal amount of the Bonds of $1,370,000.00, plus a premium on the Bonds of $72,688.95, less an Underwriter's discount of $20,569.39) plus accrued interest. The Underwriter's obligation is to purchase all of the Bonds, if any are purchased. See "PLAN OF FINANCING."

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

**Prices and Marketability**

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

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

**Securities Laws**

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

## OFFICIAL STATEMENT SUMMARY

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

### INFECTIOUS DISEASE OUTLOOK (COVID-19)

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

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

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

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

### RECENT EXTREME WEATHER EVENTS; HURRICANE HARVEY

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

*Impact...* The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the Operator (as defined herein), there was no interruption of water and sewer service as a result of Hurricane Harvey. According to the Engineer (as defined herein) and the Operator, the District's system did not sustain any material damage from Hurricane Harvey. To the knowledge of the District, approximately 45 homes within the District experienced structural flooding or other damage as a result of Hurricane Harvey.

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

## THE FINANCING

| | |
|---|---|
| *The Issuer...* | Green Trails Municipal Utility District of Harris County, Texas (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT." |
| *Description...* | $1,370,000 Green Trails Municipal Utility District of Harris County, Texas, Unlimited Tax Refunding Bonds, Series 2021, dated January 1, 2021 (the "Bonds"). Interest on the Bonds will accrue from January 1, 2021 and will be payable on April 1 and October 1 of each year commencing April 1, 2021 until maturity. The Bonds mature serially on April 1 in each year from 2022 through 2029, inclusive, and as term bonds on April 1, 2031 (the "Term Bonds") in the respective amounts and bear interest at the rates for each maturity shown on the cover page hereof. The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple thereof. See "THE BONDS." |
| *Redemption...* | The Bonds maturing on April 1, 2027, are subject to optional redemption, in whole or, from time to time, in part, on April 1, 2026, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. If fewer than all the Bonds are redeemed, the maturities and amounts thereof to be redeemed shall be selected by the District in integral multiples of $5,000 in any one maturity. If fewer than all the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected by DTC, as defined herein, in accordance with its procedures. The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple thereof. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS." |
| *Book-Entry Only…* | The Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM." |
| *Authority for Issuance…* | At bond elections held within the District on March 28, 1987 and November 2, 2010, the voters within the District authorized a total of $15,000,000 principal amount of unlimited tax refunding bonds, of which $11,625,000 will remain authorized but unissued after the issuance of the Bonds. The Bonds are issued by the District pursuant to said election and to the terms and provisions of an order authorizing the issuance of the Bonds (the "Bond Order"); Article XVI, Section 59 of the Texas Constitution; Chapter 1207, Texas Government Code, as amended; City of Houston Ordinance No. 97-416; and Chapters 49 and 54 of the Texas Water Code, as amended. See "THE BONDS—Authority for Issuance" and "—Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS—Future Debt." |
| *Source of Payment…* | Principal of and interest on the Bonds and the Remaining Outstanding Bonds (as herein defined) and any additional bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. See "THE BONDS—Source of and Security for Payment." |
| *Use of Proceeds…* | Proceeds from the sale of the Bonds and lawfully available debt service funds will be used to pay certain costs incurred in connection with the issuance of the Bonds and to refund $1,335,000 principal amount of the Outstanding Bonds (as hereinafter defined) in order to achieve net savings in the District's annual debt service expense. See "PLAN OF FINANCING." |
| *Payment Record...* | The District has previously issued $8,425,000 principal amount of unlimited tax bonds and $7,910,000 of unlimited tax refunding bonds (the "Previously Issued Bonds"). A total of $1,435,000 in principal amount of such bonds is currently outstanding (the "Outstanding Bonds"). A total of $100,000 in principal amount of the District's Outstanding Bonds will remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds"). The District has never defaulted in the payment of principal and interest on the Previously Issued Bonds. |

| | |
|---|---|
| *Qualified Tax-Exempt Obligations…* | The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS— Qualified Tax-Exempt Obligations." |
| *Municipal Bond Insurance and Municipal Bond Rating…* | S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") and Moody's Investors Service, Inc. (Moody's) has assigned municipal bond ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, to this issue of Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. Moody's has also assigned an underlying rating of "A2" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE," and "APPENDIX B." |
| *Bond Counsel…* | Schwartz, Page & Harding, L.L.P., Houston, Texas. |
| *Special Tax Counsel…* | McCall, Parkhurst & Horton L.L.P., Dallas, Texas. |
| *Underwriter's Counsel…* | McCall, Parkhurst & Horton L.L.P., Houston, Texas. |
| *Paying Agent/Registrar…* | The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. |
| *Verification Agent…* | Public Finance Partners LLC, Rockford, Minnesota. |

**THE DISTRICT**

| | |
|---|---|
| *Description...* | The District is a political subdivision of the State of Texas, created by order of the Texas Water Commission, a predecessor to the Texas Commission on Environmental Quality (the "TCEQ" or "Commission"), dated October 8, 1980. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of 316 acres of land. See "THE DISTRICT." |
| *Location...* | The District is located in Harris County, approximately 23 miles west of the central downtown business district of the City of Houston. Located one mile south of Interstate 10 and east of Baker Road, the District is bounded on the west by Fry Road. The District is located entirely within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Katy Independent School District. See "THE DISTRICT." |
| *Status of Development...* | Approximately 271 acres within the District has been developed into the single family subdivisions Green Trails, Sections One and Three, Green Trails Village, Sections One and Two, Windsor Park Estates, Sections One and Two, Heatherwood Park, Sections One and Two, Green Trails Oaks, Westside Forest, and Estates at Baker Lane which collectively encompass 684 single family residential lots. As of November 1, 2020, there were 681 completed and occupied single family homes and 3 completed and unoccupied single-family homes. The average home value for tax year 2020 is $371,071.<br><br>In addition to the single-family residential development, the Place at Green Trails Apartments are located on approximately 9 acres and consist of 275 apartment units.<br><br>Approximately 15 acres have been developed for commercial purposes. There is a 3,257 square foot dentist office on approximately 1 acre of land. The Nottingham Village shopping center encompasses 4 separate commercial centers on approximately 7 acres of land with approximately 73,000 square feet of improvements, which includes 2 real estate offices, several small restaurants, a nail salon, a dentist's office, a medical office, an animal hospital, an insurance office and a tanning salon. The Green Trails Plaza shopping center (approximately 3 acres of land with approximately 27,400 square feet of improvements) includes a Kumon learning center, a dry cleaner, and Edward Jones office, 2 restaurants and a dentist's office. There is also an approximately 76,000 square foot self-storage facility on approximately 4 acres of land. An auto repair facility has been constructed on less than 1-acre of land. An animal clinic has also been constructed on less than 1-acre of land in the District.<br><br>There are approximately 21 acres that are undevelopable and no additional acres to be developed. See "THE DISTRICT—Status of Development." |

## INVESTMENT CONSIDERATIONS

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

## SELECTED FINANCIAL INFORMATION

| | | |
|---|---|---|
| 2020 Taxable Assessed Valuation | $308,727,454 | (a) |
| Gross Direct Debt Outstanding | $1,470,000 | (b) |
| Estimated Overlapping Debt | 15,007,323 | (c) |
| Total Gross Direct Debt and Estimated Overlapping Debt | $16,477,323 | |
| Ratios of Gross Direct Debt to: | | |
| 2020 Taxable Assessed Valuation | 0.48% | |
| Ratios of Gross Direct Debt and Estimated Overlapping Debt to: | | |
| 2020 Taxable Assessed Valuation | 5.34% | |
| 2020 Debt Service Tax Rate | $0.0615 | |
| 2020 Maintenance Tax Rate | 0.1485 | |
| 2020 Total Tax Rate | $0.2100 | |
| Average Percentage of Total Tax Collections (2015-2019) | 99.48% | |
| Average Annual Debt Service Requirement (2021-2031) | $153,033 | (d) |
| Maximum Annual Debt Service Requirement (2029) | $157,600 | (d) |
| Tax Rates Required to Pay Average Annual Debt Service (2021-2031) at a 95% Collection Rate Based upon 2020 Taxable Assessed Valuation | $0.06 | |
| Tax Rates Required to Pay Maximum Annual Debt Service (2029) at a 95% Collection Rate Based upon 2020 Taxable Assessed Valuation | $0.06 | |
| Water and Sewer Connections as of November 1, 2020 (e): | | |
| Single Family Residential – Completed and Occupied | 681 | |
| Single Family Residential – Vacant | 3 | |
| Multi-Family (275 units) | 1 | |
| Commercial | 15 | |
| Other | 21 | |
| Estimated Population | 2,933 | (f) |

(a) The Harris County Appraisal District (the "Appraisal District") has certified $306,356,167 in Taxable Assessed Valuation for 2020. The Appraisal District has indicated that there are additional properties that remain uncertified. The Appraisal District has indicated that the owners' opinion of the taxable value of the uncertified properties is $2,371,287. The certified value plus the owners' opinion of the uncertified properties is a total value of $308,727,454. See "TAXING PROCEDURES."

(b) After issuance of the Bonds. See "FINANCIAL STATEMENT—Outstanding Bonds."

(c) See "ESTIMATED OVERLAPPING DEBT STATEMENT" and "—Overlapping Taxes."

(d) See "FINANCIAL STATEMENT", "DEBT SERVICE REQUIREMENTS" and "TAX DATA—Tax Adequacy Debt Service."

(e) See "THE DISTRICT—Status of Development."

(f) Based upon 3.5 persons per occupied single-family residence and 2.0 persons per apartment unit.

## OFFICIAL STATEMENT

## $1,370,000

## GREEN TRAILS MUNICIPAL UTILITY DISTRICT OF HARRIS COUNTY, TEXAS

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

**UNLIMITED TAX REFUNDING BONDS, SERIES 2021**

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Green Trails Municipal Utility District of Harris County, Texas (the "District") of its $1,370,000 Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds").

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas, particularly chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution, as amended, Chapter 1207 of the Texas Government Code, as amended, City of Houston Ordinance No. 97-416, an election held within the District, and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board").

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

## PLAN OF FINANCING

**Purpose**

At bond elections held within the District on March 28, 1987 and November 2, 2010, voters of the District authorized a total of $15,000,000 principal amount of unlimited tax refunding bonds. The Bonds constitute the fifth issuance of bonds from such authorization. The District has previously issued $8,425,000 principal amount of unlimited tax bonds and $7,910,000 of unlimited tax refunding bonds (the "Previously Issued Bonds"). A total of $1,435,000 of such bonds is currently outstanding (the "Outstanding Bonds"). See "THE BONDS—Issuance of Additional Debt."

The proceeds of the Bonds and lawfully available debt service funds are being used to currently refund a portion of one series of the District's Outstanding Bonds totaling $1,335,000 (collectively, the "Refunded Bonds") in order to reduce the District's debt service expense and result in net present value savings. Such funds will also be used to pay the costs of issuance of the Bonds. See "Sources and Uses of Funds" in this section. A total of $100,000 in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds") and, including the Bonds, a total of $1,470,000 principal amount in bonds will be outstanding. See "FINANCIAL STATEMENT—Outstanding Bonds" and "DEBT SERVICE REQUIREMENTS."

**Refunded Bonds**

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

| Maturity Date April 1 | Series 2011 |
|---|---|
| 2022 | $ 105,000 |
| 2023 | 110,000 |
| 2024 | 120,000 |
| 2025 | 125,000 |
| 2026 | 130,000 |
| 2027 | 135,000 |
| 2028 | 140,000 |
| 2029 | 150,000 |
| 2030 | 155,000 |
| 2031 | 165,000 |
| | $ 1,335,000 |

Redemption Date: January 12, 2021

**Escrow Agreement**

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

The Bond Order provides that the District and the Escrow Agent will enter into an escrow agreement (the “Escrow Agreement”) to be dated as of the date of the sale of the Bonds but effective on the date of delivery of the Bonds (expected to be January 7, 2021). The Bond Order further provides that from the proceeds of the sale of the Bonds, along with certain other lawfully available funds of the District, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the “Escrow Fund”). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds or the Remaining Outstanding Bonds.

**Defeasance of the Refunded Bonds**

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

**Sources and Uses of Funds**

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

| | |
|---|---|
| Sources of Funds: | |
| Principal Amount of the Bonds | $1,370,000.00 |
| Plus: Premium on the Bonds | 72,688.95 |
| Transfer from Debt Service Fund | 19,000.00 |
| Total Sources of Funds | $1,461,688.95 |
| Uses of Funds: | |
| Deposit to Escrow Fund | $1,351,857.88 |
| Issuance Expenses and Underwriters’ Discount (a) | 109,831.07 |
| Total Uses of Funds | $1,461,688.95 |

(a) Includes municipal bond insurance premium.

## THE BONDS

**General**

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

**Description**

The Bonds will be dated January 1, 2021, with interest payable on April 1, 2021, and on each October 1 and April 1 thereafter (each an “Interest Payment Date”) until maturity. Interest on the Bonds initially accrues from January 1, 2021, and thereafter, from the most recent Interest Payment Date. The Bonds mature on April 1 of the years and in the amounts and accrue interest at the rates shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the cover page hereof. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the Book-Entry-Only System described herein (“Registered Owners”). No physical delivery of the Bonds will be made to the purchasers thereof. See “BOOK-ENTRY-ONLY SYSTEM.” Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

**Authority for Issuance**

At bond elections held within the District on March 28, 1987 and November 2, 2010, voters of the District authorized a total of $15,000,000 in bonds for the purpose of refunding bonds of the District. The Bonds are issued by the District pursuant to said elections and to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; Chapter 1207 of the Texas Government Code, as amended; and City of Houston Ordinance No. 97-416.

**Source of and Security for Payment**

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

**Funds**

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

**Record Date**

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

**Method of Payment of Principal and Interest**

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

**Redemption**

*Mandatory Redemption:* The Bonds maturing on April 1, 2031 (the "Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption on April 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

**$305,000 Term Bonds**
**Due April 1, 2031**

| Mandatory Redemption Date | Principal Amount |
|---|---|
| 2030 | $ 150,000 |
| 2031 (maturity) | 155,000 |

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

*Optional Redemption:* The District reserves the right, at its option, to redeem the Bonds (including any Term Bonds) maturing on or after April 1, 2027, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on April 1, 2026, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Serial Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. So long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY- ONLY SYSTEM." If less than all of the entire principal amount of a Term Bond is to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

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

**Registration**

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

**Replacement of Paying Agent/Registrar**

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

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

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

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

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

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

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

**Issuance of Additional Debt**

The District's voters have authorized the issuance of a total of $18,000,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. The District currently has $9,575,000 of unlimited tax bonds authorized but unissued for improvements and facilities. The District's voters have also authorized a total of $15,000,000 of unlimited tax refunding bonds for purposes of refunding outstanding bonds of the District and could authorize additional amounts. Following the issuance of the Bonds, the District will have $11,625,000 of unlimited tax refunding bonds authorized but unissued. See "INVESTMENT CONSIDERATIONS—Future Debt."

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

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

**Financing Recreational Facilities**

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

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

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

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

**Annexation**

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed for full purposes by the City of Houston, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements include the requirement that the City of Houston hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Houston must assume the District's assets and obligations (including the Bonds and Remaining Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and, therefore, the District makes no representation that the City of Houston will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur. See "THE DISTRICT—Strategic Partnership Agreement."

**Consolidation**

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

**Remedies in Event of Default**

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

**Defeasance**

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

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

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

## BOOK-ENTRY-ONLY SYSTEM

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, 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 take 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 Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

# THE DISTRICT

## General

The District is a municipal utility district created by an order of the Texas Water Commission, a predecessor to the Commission, dated October 8, 1980, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, is subject to the continuing supervisory jurisdiction of the Commission.

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

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

In January 2009, the District assumed the responsibility and contractual obligation of solid waste collection services. The District's water and sewer customers pay a monthly fee for such service. The District also participates with several homeowner's associations in the cost of security patrol in the District provided by the Harris County Constable's Office.

## Strategic Partnership Agreement

The District and the City of Houston (the "City") have entered into a Strategic Partnership Agreement dated effective December 30, 2003 (the "SPA") pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" for that portion of the District which is developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" for at least thirty (30) years from the effective date of the SPA. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater and drainage facilities must be assumed by the City to the maximum extent permitted by Commission rules. The procedures for full purpose annexation under the SPA may differ from those otherwise applicable under Chapter 43, Texas Local Government Code, including any requirements for an election. See "THE BONDS—Annexation."

As of the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion includes primarily the 14 acres of retail and commercial development within the District. The City pays to the District an amount equal to one half (1/2) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the "Sales Tax Revenue"). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds or the Remaining Outstanding Bonds.

## Description and Location

The District is located in Harris County, approximately 23 miles west of the central downtown business district of the City of Houston. The District is located one mile south of Interstate 10 and east of Baker Road. The District is bounded on the west by Fry Road. The District is located entirely within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Katy Independent School District.

**Residential Development**

Approximately 271 acres within the District has been developed into the single family subdivisions Green Trails, Sections One and Three, Green Trails Village, Sections One and Two, Windsor Park Estates, Sections One and Two, Heatherwood Park, Sections One and Two, Green Trails Oaks, Westside Forest, and Estates at Baker Lane which collectively encompass 684 single family residential lots. As of November 1, 2020, there were 681 completed and occupied single family homes and 3 completed and unoccupied single-family homes.

**Multi-Family Development**

In addition to the single-family residential development, the Place at Green Trails Apartments are located on approximately 9 acres and consist of 275 apartment units.

**Commercial Development**

Approximately 15 acres have been developed for commercial purposes. There is a 3,257 square foot dentist office on approximately 1 acre of land. The Nottingham Village shopping center encompasses 4 separate commercial centers on approximately 7 acres of land with approximately 73,000 square feet of improvements, which includes 2 real estate offices, several small restaurants, a nail salon, a dentist's office, a medical office, an animal hospital, an insurance office and a tanning salon. The Green Trails Plaza shopping center (approximately 3 acres of land with approximately 27,400 square feet of improvements) includes a Kumon learning center, a dry cleaners, and Edward Jones office, 2 restaurants and a dentist’s office. There is also an approximately 76,000 square foot self-storage facility on approximately 4 acres of land. An auto repair facility has been constructed on less than 1-acre of land. An animal clinic has also been constructed on less than 1-acre of land in the District.

**Undeveloped Acreage**

There are approximately 21 acres that are undevelopable and no additional acres to be developed.

## MANAGEMENT OF THE DISTRICT

**Board of Directors**

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

| Name | Title | Term Expires |
|---|---|---|
| Douglas S. Diehl | President | May 2024 |
| Brent Jones | Vice President | May 2022 |
| Robert W. Lary | Secretary | May 2024 |
| Mark A. Stasney | Assistant Secretary | May 2022 |
| Mike Weatherwax | Assistant Secretary | May 2024 |

**District Consultants**

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

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

*Financial Advisor:* Masterson Advisors LLC (the “Financial Advisor”) serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon sale and delivery of the Bonds.

*Special Tax Counsel:* McCall, Parkhurst & Horton L.L.P. (“Special Tax Counsel”) serves as special tax counsel to the District. The fee to be paid Special Tax Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

*Auditor:* As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audited financial statements are filed with the Commission. The financial statements of the District as of June 30, 2020, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot,PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's June 30, 2020 audited financial statements.

*Engineer:* The District's consulting engineer is Jones & Carter, Inc. (the "Engineer").

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

*Utility System Operator:* The District contracts with Municipal Operations & Consulting, Inc. for maintenance and operation of the District's system.

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

*Tax Assessor/Collector:* The District has appointed an independent tax assessor/collector to perform the tax collection function. Wheeler & Associates, Inc. (the "Tax Assessor/Collector") has been engaged by the District to serve in this capacity.

## THE SYSTEM

### Regulation

According to Jones & Carter, Inc., the District's consulting engineer (the "Engineer"), the District's water distribution, wastewater collection, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. Operation of the System must be accomplished in accordance with the standards and requirements of such entities. The Commission exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the Commission and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District, Harris County and, in some instances, the Commission. Harris County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant which provides service to the District beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District's Engineer.

### Source of Water Supply

Water supply for the District is provided by a 1,400 gpm remote water well (original design intent was 1,800 gpm) with a 12 inch water collection line to the Water Plant and a 1,000 gallon per minute ("gpm") water well located at the Water Plant. The Water Plant includes 322,500 gallons of ground storage tank capacity and 30,000 gallons of hydropneumatics tank capacity. Such facilities are sufficient to serve 3,000 equivalent single-family connections ("esfcs"), of which the District owns 2,116 esfcs (70.54%) and Baker Road Municipal Utility District ("Baker Road") owns 884 esfcs (29.46%). The District has emergency water supply interconnects with Harris County Municipal Utility District No. 345 and Mason Creek Utility District.

### Subsidence District Requirements

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater from its well is subject to annual permits issued by the Subsidence District. On April 14, 1999, the Subsidence District adopted a District Regulatory Plan to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction (as amended, the "Regulatory Plan"). Under the Regulatory Plan, the District was required to submit a groundwater reduction plan ("GRP") to the Subsidence District by January 2003 and begin construction of infrastructure identified in the GRP by January 2005, or pay a disincentive fee for any groundwater withdrawn in excess of 20% of the District's total annual water demand. Additional disincentive fees will be imposed under the Regulatory Plan if the District's groundwater withdrawal exceeds 70% of the District's total annual water demand beginning January 2010, exceeds 40% of the District's total annual water demand beginning January 2025, and exceeds 20% of the District's total annual water demand beginning January 2035.

The District and Baker Road are included in the Groundwater Reduction Plan ("GRP") prepared by the City, in order to meet the Subsidence District requirements pursuant to a contract entered into between the District and the City. As a participant in the City's GRP, the District is currently using groundwater, but is obligated to pay to the City a groundwater withdrawal fee for all groundwater produced and used by the District and a water purchase fee for any water actually purchased from the City by the District in the future.

The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future in order to develop surface water conversion infrastructure should the City require the District to convert to surface water and connect to the City's water supply system.

**Wastewater Treatment Facilities**

The District currently operates a 990,000 gpd wastewater treatment plant located in the District, which capacity is sufficient to serve approximately 2,828 esfcs. The plant is jointly owned by the District and Harris County Municipal Utility District No. 345 ("No. 345"). By virtue of a separate agreement, No. 345 has sold a portion of its capacity to Harris County Municipal Utility District No. 346. The District owns 36.87% of the capacity in the plant. The District holds title to the wastewater treatment plant for the benefits of the participants. Operating costs are shared based up on the pro rata share of capacity owned. According to the Engineer, the District's capacity in the wastewater treatment plant will serve 1,043 esfcs.

**100-Year Flood Plain**

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

According to the Engineer, no development within the District lies within the 100-year flood plain designation.

## FINANCIAL STATEMENT

| | |
|---|---|
| 2020 Taxable Assessed Valuation | $308,727,454 (a) |
| District Debt: | |
| Outstanding Bonds (as of November 1, 2020) | $1,435,000 |
| Less: The Refunded Bonds | (1,335,000) |
| Plus: The Bonds | 1,370,000 |
| Gross Debt Outstanding (after issuance of the Bonds) | $1,470,000 (b) |
| Ratio of Gross Direct Debt to: | |
| 2020 Taxable Assessed Valuation | 0.48% |

Area of District—316 acres
2020 Population—2,933 (c)

(a) The Harris County Appraisal District (the "Appraisal District") has certified $306,356,167 in Taxable Assessed Valuation for 2020. The Appraisal District has indicated that there are additional properties that remain uncertified. The Appraisal District has indicated that the owners' opinion of the taxable value of the uncertified properties is $2,371,287. The certified value plus the owners' opinion of the uncertified properties is a total value of $308,727,454. See "TAXING PROCEDURES."
(b) After the issuance of the Bonds. See "Outstanding Bonds" herein.
(c) Based upon 3.5 persons per occupied single-family residence and 2.0 persons per apartment unit.

**Cash and Investment Balances – unaudited (as of November 19, 2020)**

| | | |
|---|---|---|
| Debt Service Fund | Cash and Investments | $103,594 (a) |
| General Fund | Cash and Investments | $1,363,724 |

(a) Neither Texas law nor the Bond Order requires that the District maintain any particular balance in the Debt Service Fund. The District will contribute $19,000 of existing funds to refunding the Refunded Bonds.

**Investments of the District**

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

**Outstanding Bonds**

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

| Series | Original Principal Amount | Principal Amount Currently Outstanding | Refunded Bonds | Remaining Outstanding Bonds |
|---|---|---|---|---|
| 2011 | $ 2,100,000 | $ 1,435,000 | $ 1,335,000 | $ 100,000 |
| Total | | $ 1,435,000 | $ 1,335,000 | $ 100,000 |
| The Bonds | | | | 1,370,000 |
| The Bonds and Remaining Outstanding Bonds | | | | $ 1,470,000 |

## DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds, plus the debt service on the Bonds ($1,370,000 principal amount).

| Year | Outstanding Bonds Debt Service Requirements | Less: Debt Service on the Refunded Bonds | Plus: Debt Service on the Bonds | | | Total Debt Service Requirements |
|---|---|---|---|---|---|---|
| | | | Principal | Interest | Total | |
| 2021 | $ 161,963 | $ 60,088 | | $ 25,313 | $ 25,313 | $ 127,188 |
| 2022 | 162,988 | 162,988 | $ 115,000 | 32,025 | 147,025 | 147,025 |
| 2023 | 163,688 | 163,688 | 120,000 | 28,500 | 148,500 | 148,500 |
| 2024 | 168,908 | 168,908 | 130,000 | 24,750 | 154,750 | 154,750 |
| 2025 | 168,640 | 168,640 | 135,000 | 20,775 | 155,775 | 155,775 |
| 2026 | 168,158 | 168,158 | 135,000 | 16,725 | 151,725 | 151,725 |
| 2027 | 167,224 | 167,224 | 140,000 | 13,300 | 153,300 | 153,300 |
| 2028 | 165,830 | 165,830 | 140,000 | 10,500 | 150,500 | 150,500 |
| 2029 | 169,088 | 169,088 | 150,000 | 7,600 | 157,600 | 157,600 |
| 2030 | 166,822 | 166,822 | 150,000 | 4,600 | 154,600 | 154,600 |
| 2031 | 169,022 | 169,022 | 155,000 | 1,550 | 156,550 | 156,550 |
| Total | $ 1,832,328 | $ 1,730,453 | $ 1,370,000 | $ 185,638 | $ 1,555,638 | $ 1,657,513 |

Maximum Annual Debt Service Requirement (2029) ........................................................................................$157,600
Average Annual Debt Service Requirements (2021-2031) ..............................................................................$153,033

## WATER AND SEWER OPERATIONS

### General

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

### Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ended June 30, 2016 through 2020. Reference is made to such records and financial statements for further and more complete information.

| | Fiscal Year Ended June 30 | | | | |
|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| **Revenues** | | | | | |
| Property Taxes | $ 434,566 | $ 417,609 | $ 429,790 | $ 409,585 | $ 312,007 |
| Sales Tax Revenues | 11,140 | 1,641 | 7,421 | 6,274 | 6,832 |
| Water Service | 248,473 | 204,234 | 218,797 | 214,428 | 186,017 |
| Sewer Service | 246,754 | 204,216 | 196,620 | 193,072 | 199,296 |
| Groundwater Reduction Fees | 155,865 | 140,605 | 143,361 | 154,611 | 145,280 |
| Penalities and Interest | 3,693 | 4,212 | 4,307 | 4,467 | 4,384 |
| Tap Connection/Inspection Fees | 1,440 | 1,470 | 1,440 | 1,425 | 1,440 |
| Investment Income | 23,816 | 22,709 | 11,185 | 6,395 | 3,441 |
| Other | 89,926 | 64,699 | 55,031 | 75,521 | 58,860 |
| **Total Revenues** | $ 1,215,673 | $ 1,061,395 | $ 1,067,952 | $ 1,065,778 | $ 917,557 |
| **Expenditures** | | | | | |
| Purchased Services | $ 387,384 | $ 415,772 | $ 396,930 | $ 463,602 | $ 433,562 |
| Professional Fees | 147,189 | 78,608 | 72,107 | 56,024 | 59,789 |
| Contracted Services | 302,974 | 298,492 | 289,722 | 101,194 | 100,368 |
| Utilities (a) | - | - | - | 152,891 | 150,136 |
| Repairs and Maintenance | 138,178 | 169,517 | 92,142 | 85,550 | 150,337 |
| Other | 30,717 | 27,387 | 32,400 | 21,263 | 20,895 |
| Capital Outlay | - | - | - | 70,136 | 64,023 |
| **Total Expenditures** | $ 1,006,442 | $ 989,776 | $ 883,301 | $ 950,660 | $ 979,110 |
| **Revenues Over (Under) Expenditures** | $ 209,231 | $ 71,619 | $ 184,651 | $ 115,118 | $ (61,553) |
| **Other Sources (Interfund Transfer)** | $ 30,587 | $ - | $ - | $ - | $ - |
| **Fund Balance (Beginning of Year)** | $ 1,453,742 | $ 1,382,123 | $ 1,197,472 | $ 1,082,354 | $ 1,143,907 |
| **Fund Balance (End of Year)** | $ 1,693,560 | $ 1,453,742 | $ 1,382,123 | $ 1,197,472 | $ 1,082,354 |

(a) Due to a change in auditor, beginning with the audited financial statements for fiscal year ended June 30, 2018, expenditures which were previously classified as utilities were recategorized to contracted services.

## ESTIMATED 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 publicly 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. 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.

| Taxing Jurisdiction | Outstanding Bonds | As of | Overlapping Percent | Overlapping Amount |
|---|---|---|---|---|
| Harris County………………………………………… | $ 1,743,427,125 | 10/31/2020 | 0.06% | $ 1,046,056 |
| Harris County Flood Control District……………… | 334,270,000 | 10/31/2020 | 0.06% | 200,562 |
| Harris County Department of Education…………… | 6,320,000 | 10/31/2020 | 0.06% | 3,792 |
| Harris County Hospital District………………..……. | 86,050,000 | 10/31/2020 | 0.06% | 51,630 |
| Port of Houston Authority…………………………… | 492,439,397 | 10/31/2020 | 0.06% | 295,464 |
| Katy ISD……………………..………………………. | 1,888,706,959 | 10/31/2020 | 0.71% | 13,409,819 |
| Total Estimated Overlapping Debt………………… | | | | $ 15,007,323 |
| The District…………………………………………… | 1,470,000 (a) | Current | 100.00% | 1,470,000 |
| Total Direct and Estimated Overlapping Debt………………………………………………………………… | | | | $ 16,477,323 |
| Ratio of Estimated Direct and Overlapping Debt to 2020 Taxable Assessed Valuation……………………………………… | | | | 5.34% |

(a) Includes the Bonds and the Remaining Outstanding Bonds.

**Overlapping Taxes**

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

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

| | 2020 Tax Rate per $100 of Taxable Assessed Valuation |
|---|---|
| Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority………………………………… | $ 0.604193 |
| Katy ISD……………………………………………………………………… | 1.388800 |
| Harris County ESD No. 48…………………………………………………… | 0.099394 |
| Total Overlapping Tax Rate………………………………………………… | $ 2.09239 |
| The District…………………………………………………………………… | 0.21000 |
| Total Tax Rate………………………………………………………………… | $ 2.30239 |

## TAX DATA

### Historical Tax Collections

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

| Tax Year | Certified Taxable Assessed Valuation | Tax Rate | Total Tax Levy | Total Collections as of October 31, 2020 (a) Amount | Percent |
|---|---|---|---|---|---|
| 2015 | $ 265,885,232 | $ 0.190 | $ 505,179 | $ 503,155 | 99.60% |
| 2016 | 285,808,665 | 0.210 | 600,195 | 597,758 | 99.59% |
| 2017 | 295,023,962 | 0.210 | 619,547 | 617,084 | 99.60% |
| 2018 | 288,025,894 | 0.210 | 604,851 | 602,405 | 99.60% |
| 2019 | 300,572,760 | 0.215 | 646,228 | 639,930 | 99.03% |

(a) Unaudited.

### Tax Rate Distribution

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Debt Service | $ 0.0615 | $ 0.0690 | $ 0.0640 | $ 0.0640 | $ 0.0660 |
| Maintenance and Operations | 0.1485 | 0.1460 | 0.1460 | 0.1460 | 0.1440 |
| Total | $ 0.2100 | $ 0.2150 | $ 0.2100 | $ 0.2100 | $ 0.2100 |

### Tax Rate Limitations

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

Maintenance: $0.50 per $100 Assessed Valuation

### Debt Service Tax

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

### Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On January 17, 1981, voters in the District authorized the Board to levy such a maintenance tax in an amount not to exceed $0.50 per $100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds and any additional unlimited tax bonds which may be issued in the future. The District levied a maintenance tax for 2020 in the amount of $0.1485 per $100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds. See "Tax Rate Distribution" herein.

## Summary of Assessed Valuation

The following breakdown of the 2016 through 2020 Taxable Assessed Valuations has been provided by the District's Tax Assessor/Collector based on information contained in the 2016 through 2020 certified tax rolls of the District. Differences in values from other information herein are due to differences in dates of information provided. A breakdown of the uncertified portion of the Taxable Assessed Valuation is not available.

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Land | $ 71,596,738 | $ 69,540,661 | $ 69,741,438 | $ 69,741,438 | $ 65,768,972 |
| Improvements | 286,397,248 | 283,739,690 | 270,431,666 | 279,056,647 | 268,715,095 |
| Personal Property | 3,291,252 | 3,806,674 | 4,087,199 | 4,527,623 | 4,652,417 |
| Exemptions (a) | (54,929,071) | (56,514,265) | (56,234,409) | (58,301,746) | (56,327,819) |
| Total Certified | $ 306,356,167 | $ 300,572,760 | $ 288,025,894 | $ 295,023,962 | 282,808,665 |
| Uncertified Value | 2,371,287 | - | - | - | - |
| Total | $ 308,727,454 | $ 300,572,760 | $ 288,025,894 | $ 295,023,962 | $ 282,808,665 |

(a) This amount includes the 20% homestead exemption and the over 65 and disabled exemptions granted by the District. See "TAXING PROCEDURES."

## Principal Taxpayers

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the 2020 Taxable Assessed Valuation ($306,356,167), which reflects certified ownership at January 1, 2020. A principal taxpayer list related to the uncertified portion ($2,371,287) of the 2020 Taxable Assessed Valuation is not available.

| Taxpayer | Type of Property | 2020 Certified Taxable Assessed Valuation | % of 2020 Certified Taxable Assessed Valuation |
|---|---|---|---|
| Green Trails Apartments LLP | Land & Improvements | $ 28,663,718 | 9.36% |
| Knagss Katy LP | Land & Improvements | 5,323,211 | 1.74% |
| RG Investments No. 4 LLP | Land & Improvements | 4,865,000 | 1.59% |
| Greentrails Plaza 1 Ltd. | Land & Improvements | 4,844,248 | 1.58% |
| Rothchild Family Partnership #2 Ltd. | Land & Improvements | 1,957,492 | 0.64% |
| Individual | Land & Improvements | 1,205,197 | 0.39% |
| Individual | Land & Improvements | 1,166,686 | 0.38% |
| Individual | Land & Improvements | 1,125,644 | 0.37% |
| Individual | Land & Improvements | 1,080,763 | 0.35% |
| Individual | Land & Improvements | 1,080,456 | 0.35% |
| Total | | $ 51,312,415 | 16.75% |

## Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2020 Taxable Assessed Valuation of $308,727,454 ($306,356,167 certified plus $2,371,287 uncertified) and no use of debt service funds on hand, collection of ninety-five percent (95%) of taxes levied, and utilize tax rates necessary to pay the District's maximum annual and average annual debt service requirements. See "DEBT SERVICE REQUIREMENTS."

Average Annual Debt Service Requirement (2021-2031)................................................................$153,033
$0.06 Tax Rate on the 2020 Taxable Assessed Valuation ........................................................$175,975

Maximum Annual Debt Service Requirement (2029)......................................................................$157,600
$0.06 Tax Rate on the 2020 Taxable Assessed Valuation ........................................................$175,975

## TAXING PROCEDURES

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

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

**Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2020 tax year, the District has granted an exemption of $3,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of (i) a member of the armed forces or, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

**General Residential Homestead Exemption**

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than $5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2020 tax year, the District has granted a 20% general residential homestead exemption. The total value of the general residential homestead exemption for 2020 was $50,131,520.

**Valuation of Property for Taxation**

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

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

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

**Agricultural, Open Space, Timberland and Inventory Deferment**

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

**Tax Abatement**

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

**Levy and Collection of Taxes**

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

**Rollback of Operation and Maintenance Tax Rate**

Chapter 49 of the Texas Water Code, as amended classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per $100 of taxable value are classified herein as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below.

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

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

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

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

**District's Rights in the Event of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

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

## INVESTMENT CONSIDERATIONS

### General

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

### Infectious Disease 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"). The Governor has issued successive renewals of the State of disaster declarations, and such declaration is still in effect. On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

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

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

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

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

**Recent Extreme Weather Events; Hurricane Harvey**

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

The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the Operator, there was no interruption of water and sewer service as a result of Hurricane Harvey. According to the Engineer and Operator, the District's system did not sustain any material damage from Hurricane Harvey. To the knowledge of the District, approximately 45 homes within the District experienced structural flooding or other damage as a result of Hurricane Harvey.

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

**Specific Flood Type Risks**

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

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

**Future Debt**

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of $18,000,000 principal amount of unlimited tax bonds have been authorized by the District's voters for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and the voters could authorize additional amounts. The District currently has $9,575,000 of unlimited tax bonds authorized but unissued for improvements and facilities. The District's voters have also authorized the issuance of a total of $15,000,000 of unlimited tax refunding bonds for purposes of refunding outstanding bonds of the District and after the issuance of the Bonds, $11,625,000 principal amount of unlimited tax refunding bonds will remain authorized but unissued. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for water, sewer and drainage purposes is subject to approval by the Commission pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

**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.

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 adopted the request and maintenance plan for the 1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

The HGB Area is currently designated as a "serious" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

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

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

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

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

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

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

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

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

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

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

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contains a new definition of "waters of the United States." The stated purpose of the NWPR is to restore and maintain the integrity of the nation's waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states' primary authority over land and water resources. The new definition outlines four categories of waters that are considered "waters of the United States," and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not "waters of the United States," and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The EPA published the NWPR in the Federal Register on April 21, 2020. The NWPR went into effect on June 22, 2020 and is currently the subject of ongoing litigation.

Due to the 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.

**Tax Collections Limitations**

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

**Registered Owners' Remedies and Bankruptcy Limitations**

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

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

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

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

The District may not be placed into bankruptcy involuntarily.

**Continuing Compliance with Certain Covenants**

The Bond Order contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Order 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."

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

The District has entered into an agreement with Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") for the purchase of a municipal bond insurance policy (the "Policy"). At the time of entering into the agreement, the Insurer was rated "AA" (stable outlook) by S&P. See "MUNICIPAL BOND INSURANCE."

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

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

Neither the District nor the Underwriter has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment.

**Future and Proposed Legislation**

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

**Marketability**

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

## MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") and Moody's Investors Service, Inc. ("Moody's") has assigned municipal bond ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. Moody's has also assigned an underlying rating of "A2" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's.

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

# MUNICIPAL BOND INSURANCE

**Bond Insurance Policy**

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

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

**Assured Guaranty Municipal Corp.**

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

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

*Current Financial Strength Ratings*

On October 29, 2020, 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 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 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 September 30, 2020:

- The policyholders' surplus of AGM was approximately $2,671 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,042 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 $2,111 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc ("AGE UK") and Assured Guaranty (Europe) SA ("AGE SA"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

*Incorporation of Certain Documents by Reference*

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

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020); and

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

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020 (filed by AGL with the SEC on November 6, 2020).

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

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

*Miscellaneous Matters*

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

## LEGAL MATTERS

### Legal Opinions

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

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

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

### Legal Review

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

## TAX MATTERS

### Opinion

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

In rendering their opinion, Special Tax Counsel will rely upon (a) the opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, that the Bonds are valid and binding obligations of the District payable from the proceeds of a generally-applicable ad valorem tax, (b) the District's federal tax certificate and the verification report prepared by Public Finance Partners LLC, and (c) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Although it is expected that the Bonds will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance, the tax-exempt status of the Bonds could be affected by future events. However, future events beyond the control of the District, as well as the failure to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

**Collateral Federal Income Tax Consequences**

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

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

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

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

**State, Local and Foreign Taxes**

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

**Qualified Tax-Exempt Obligations**

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

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

## VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of funds deposited with the Escrow Agent pursuant to the Escrow Agreement for the payment of the Refunded Bonds; (b) the mathematical computations of yield; and (c) compliance with City of Houston Ordinance No. 97-416.

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

## NO MATERIAL ADVERSE CHANGE

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

## NO-LITIGATION CERTIFICATE

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

## PREPARATION OF OFFICIAL STATEMENT

**Sources and Compilation of Information**

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

**Financial Advisor**

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources: "THE DISTRICT" and "THE SYSTEM""—Jones & Carter, Inc., "THE BONDS" and "LEGAL MATTERS – Legal Opinions" (insofar as such section relates to the legal opinion of Bond Counsel and Special Tax Counsel)—Schwartz, Page & Harding, L.L.P. and McCall, Parkhurst & Horton L.L.P., as applicable; "TAX MATTERS"— McCall, Parkhurst & Horton L.L.P.; "FINANCIAL STATEMENT" and "TAX DATA"— Harris County Appraisal District, Wheeler & Associates, Inc. and the Municipal Advisory Council.

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

**Underwriter**

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

**Consultants**

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

*Engineer:* The information contained in this Official Statement relating to engineering and to the description of the system and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" (as it relates to District facilities) has been provided by Jones & Carter, Inc., Consulting Engineers, and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

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

*Auditor:* The financial statements of the District as of June 30, 2020, and for the year then ended, include in this offering document, have been audited by McCall Gibson Swedlund Barfoot, PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's June 30, 2020 audited financial statements.

## UPDATING THE OFFICIAL STATEMENT

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

## CERTIFICATION OF OFFICIAL STATEMENT

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

## CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the SEC Rule 15c2-12(d)(2) exemption from SEC Rule 15c2-12(b)(5) regarding the District's continuing disclosure obligations because the District does not have more than $10,000,000 in aggregate amount of bonds outstanding and no person is committed by contract or other arrangement with respect to payment of the Bonds. In the Bond Order, the District has made the following agreement for the benefit of the Registered and Beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access system ("EMMA").

**Annual Reports**

The District will provide certain updated financial information and operating data to annually to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District The financial information and operating data which will be provided with respect to the District and to be updated annually is found in Appendix A (Independent Auditor's Report and Financial Statements of the District and certain Supplemental Schedules.) The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2021.

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 commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order 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 events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (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 "financial obligation" and "material" when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

**Availability of Information from the MSRB**

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at www.emma.msrb.org.

**Limitations and Amendments**

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as changed circumstances, and either the Holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as a nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of SEC Rule 15c2-12 or a court of final jurisdiction determines that such provisions are invalid but in either case, only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**Compliance With Prior Undertakings**

During the last five years, the District has complied in all material respects with its continuing disclosure agreements made in accordance with SEC Rule 15c2-12, except that the District filed its audited financial statements for the 2016 fiscal year on January 9, 2017, which was after the December 31, 2016 deadline. The District has filed a notice of late filing.

## MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Green Trails Municipal Utility District of Harris County, Texas as of the date shown on the cover page.

/s/ Douglas S. Diehl
President, Board of Directors

ATTEST:

/s/ Robert W. Lary
Secretary, Board of Directors

# APPENDIX A

## Independent Auditor's Report and Financial Statements of the District for the year ended June 30, 2020

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT

## HARRIS COUNTY, TEXAS

## ANNUAL FINANCIAL REPORT

## JUNE 30, 2020

**McCALL GIBSON SWEDLUND BARFOOT PLLC**
Certified Public Accountants

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT

## HARRIS COUNTY, TEXAS

## ANNUAL FINANCIAL REPORT

## JUNE 30, 2020

# T A B L E  O F  C O N T E N T S

**McCALL GIBSON SWEDLUND BARFOOT PLLC**
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# INDEPENDENT AUDITOR'S REPORT

Board of Directors
Green Trails Municipal Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Green Trails Municipal Utility District (the "District"), as of and for the year ended June 30, 2020, 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.

Board of Directors
Green Trails Municipal Utility District

**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, 2020, 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 and Special Revenue Funds 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 28, 2020

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT
## MANAGEMENT'S DISCUSSION AND ANALYSIS
## FOR THE YEAR ENDED JUNE 30, 2020

Management's discussion and analysis of Green Trails Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the year ended June 30, 2020. 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 financial report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets and liabilities, 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 Statement of Activities reports how the District's net position changed during the current 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 three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The District has two Special Revenue Funds. One Special Revenue Fund accounts for the water plant and water well jointly owned by the District and Baker Municipal Utility District. The other Special Revenue Fund accounts for the operations of a jointly owned wastewater treatment plant with Harris County Municipal Utility District No. 345. The Debt

## FUND FINANCIAL STATEMENTS (Continued)

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.

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"). Budgetary comparison schedules are included as RSI for the General Fund and each Special Revenue Fund.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by $2,541,496 as of June 30, 2020.

A portion of the District's net position reflects its net investment in capital assets (water, wastewater and recreational facilities less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water, wastewater and recreational services.

The following is a comparative analysis of government-wide changes in net position:

**GOVERNMENT-WIDE FINANCIAL ANALYSIS** (Continued)

| | Summary of Changes in the Statement of Net Position | | |
|---|---|---|---|
| | 2020 | 2019 | Change Positive (Negative) |
| Current and Other Assets | $ 2,168,498 | $ 1,887,151 | $ 281,347 |
| Capital Assets (Net of Accumulated Depreciation) | 2,117,516 | 2,274,265 | (156,749) |
| Total Assets | $ 4,286,014 | $ 4,161,416 | $ 124,598 |
| Long -Term Liabilities | $ 1,435,000 | $ 1,530,000 | $ 95,000 |
| Other Liabilities | 309,518 | 251,025 | (58,493) |
| Total Liabilities | $ 1,744,518 | $ 1,781,025 | $ 36,507 |
| Net Position: | | | |
| Net Investment in Capital Assets | $ 682,516 | $ 744,265 | $ (61,749) |
| Restricted | 148,525 | 163,653 | (15,128) |
| Unrestricted | 1,710,455 | 1,472,473 | 237,982 |
| Total Net Position | $ 2,541,496 | $ 2,380,391 | $ 161,105 |

The following table provides comparative analysis of the District's operations for the years ending June 30, 2020, and June 30, 2019. The District's net position increased by $161,105 during the current year.

| | Summary of Changes in the Statement of Activities | | |
|---|---|---|---|
| | 2020 | 2019 | Change Positive (Negative) |
| Revenues: | | | |
| Property Taxes | $ 637,453 | $ 608,264 | $ 29,189 |
| Charges for Services | 1,000,752 | 934,050 | 66,702 |
| Other Revenues | 129,804 | 91,971 | 37,833 |
| Total Revenues | $ 1,768,009 | $ 1,634,285 | $ 133,724 |
| Expenses for Services | 1,606,904 | 1,601,244 | (5,660) |
| Change in Net Position | $ 161,105 | $ 33,041 | $ 128,064 |
| Net Position, Beginning of Year | 2,380,391 | 2,347,350 | 33,041 |
| Net Position, End of Year | $ 2,541,496 | $ 2,380,391 | $ 161,105 |

## FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2020, were $1,842,543, an increase of $224,385 from the prior fiscal year.

The General Fund fund balance increased by $239,818, primarily due to tax and service revenues exceeding current year operating costs.

The Debt Service Fund fund balance increased by $25,096, primarily due to the structure of the District's debt service requirements.

The Special Revenue Funds of the District are revenue neutral. Costs incurred are billed to the respective participants on a monthly basis. The water plant fund balance decreased by $40,529 due to the District using the balance to create operating reserve accounts for the participants.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors amended the budget during the year to increase projected property tax revenues, water service revenues and wastewater service revenues. Actual revenues were $53,473 more than budgeted revenues primarily due to higher than anticipated revenues across most categories. Actual expenditures were $189,929 less than budgeted expenditures primarily due to capital costs which were budgeted but not spent, as well as lower than anticipated purchased water and purchased wastewater costs.

## CAPITAL ASSETS

Capital assets as of June 30, 2020, total $2,117,516 (net accumulated depreciation) and include parks and recreational facilities, as well as the water and wastewater systems. Significant capital asset activity in the current fiscal year was the Section 1 sanitary sewer rehabilitation.

Capital Assets At Year-End, Net of Accumulated Depreciation

| | 2020 | 2019 | Change Positive (Negative) |
|---|---|---|---|
| Capital Assets Not Being Depreciated: | | | |
| Land and Land Improvements | $ 185,001 | $ 185,001 | $ |
| Capital Assets, Net of Accumulated Depreciation: | | | |
| Parks and Recreational | 22,330 | 26,818 | (4,488) |
| Water System | 1,226,108 | 1,343,534 | (117,426) |
| Wastewater System | 684,077 | 718,912 | (34,835) |
| Total Net Capital Assets | $ 2,117,516 | $ 2,274,265 | $ (156,749) |

Additional information on the District's capital assets can be found in Note 6 of this report.

### LONG-TERM DEBT ACTIVITY

At the end of the current year, the District had total bond debt payable of $1,435,000. The changes in the debt position of the District during the year ended June 30, 2020, are summarized as follows:

| | | |
|---|---|---|
| Bond Debt Payable, July 1, 2019 | $ | 1,530,000 |
| Less: Bond Principal Paid | | 95,000 |
| Bond Debt Payable, June 30, 2020 | $ | 1,435,000 |

The District's Series 2011 bonds carry an underlying rating of "A2" from Moody's and an insured rating of "A2" from Moody's by virtue of bond insurance issued by Assured Guaranty Municipal Corp. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The above ratings are as of June 30, 2020 and reflect all rating changes through the year then ended.

### 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 Green Trails Municipal Utility District, c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Blvd., Suite 1400, Houston, TX 77056-3078.

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT
## STATEMENT OF NET POSITION AND
## GOVERNMENTAL FUNDS BALANCE SHEET
## JUNE 30, 2020

| | General Fund | Special Revenue Funds: Water Plant | Special Revenue Funds: Wastewater Treatment Plant |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | $ 122,341 | $ 86,909 | $ 47,838 |
| Investments | 1,561,480 | | |
| Receivables: | | | |
| Property Taxes | 16,895 | | |
| Penalty and Interest on Delinquent Taxes | | | |
| Service Accounts | 56,731 | | |
| Accrued Interest | 2,154 | | |
| Due from Other Funds | 76,484 | 47,087 | 53,804 |
| Due from Other Governmental Units | | 30,249 | 48,321 |
| Advance for Water Plant Operations | 83,092 | | |
| Advance for Wastewater Treatment Plant Operations | 15,468 | | |
| Land | | | |
| Capital Assets (Net of Accumulated Depreciation) | | | |
| **TOTAL ASSETS** | $ 1,934,645 | $ 164,245 | $ 149,963 |

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

| Debt Service Fund | Total | Adjustments | Statement of Net Position |
|---|---|---|---|
| $ 59,682 | $ 316,770 | $ | $ 316,770 |
| 120,397 | 1,681,877 | | 1,681,877 |
| 9,696 | 26,591 | | 26,591 |
| | | 5,805 | 5,805 |
| | 56,731 | | 56,731 |
| | 2,154 | | 2,154 |
| | 177,375 | (177,375) | |
| | 78,570 | | 78,570 |
| | 83,092 | (83,092) | |
| | 15,468 | (15,468) | |
| | | 185,001 | 185,001 |
| | | 1,932,515 | 1,932,515 |
| $ 189,775 | $ 2,438,628 | $ 1,847,386 | $ 4,286,014 |

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

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT
## STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
## JUNE 30, 2020

| | | Special Revenue Funds | |
|---|---|---|---|
| | General Fund | Water Plant | Wastewater Treatment Plant |
| **LIABILITIES** | | | |
| Accounts Payable | $ 64,623 | $ 25,323 | $ 45,247 |
| Accrued Interest Payable | | | |
| Due to Other Funds | 93,173 | 21,122 | 17,740 |
| Due to Taxpayers | | | |
| Security Deposits | 66,394 | | |
| Advance for Wastewater Treatment Plant Operations | | | 70,376 |
| Advance for Water Plant Operations | | 117,794 | |
| Long-Term Liabilities: | | | |
| Bonds Payable, Due Within One Year | | | |
| Bonds Payable, Due After One Year | | | |
| **TOTAL LIABILITIES** | $ 224,190 | $ 164,239 | $ 133,363 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Property Taxes | $ 16,895 | $ -0- | $ -0- |
| **FUND BALANCES** | | | |
| Nonspendable: | | | |
| For Water Plant Operations | $ 83,092 | $ 6 | $ |
| For Wastewater Plant Operations | 15,468 | | |
| Restricted for for Wastewater Treatment Plant Operations | | | 16,600 |
| Restricted for Debt Service | | | |
| Unassigned | 1,595,000 | | |
| **TOTAL FUND BALANCES** | $ 1,693,560 | $ 6 | $ 16,600 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** | $ 1,934,645 | $ 164,245 | $ 149,963 |
| **NET POSITION** | | | |
| Net Investment in Capital Assets | | | |
| Restricted for Joint Plants' Operations | | | |
| Restricted for Debt Service | | | |
| Unrestricted | | | |
| **TOTAL NET POSITION** | | | |

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

| Debt Service Fund | Total | Adjustments | Statement of Net Position |
|---|---|---|---|
| $ | $ 135,193 | $ | $ 135,193 |
| | | 15,959 | 15,959 |
| 45,340 | 177,375 | (177,375) | |
| 2,362 | 2,362 | | 2,362 |
| | 66,394 | | 66,394 |
| | 70,376 | (15,468) | 54,908 |
| | 117,794 | (83,092) | 34,702 |
| | | 100,000 | 100,000 |
| | | 1,335,000 | 1,335,000 |
| $ 47,702 | $ 569,494 | $ 1,175,024 | $ 1,744,518 |
| $ 9,696 | $ 26,591 | $ (26,591) | $ -0- |
| $ | $ 83,098 | $ (83,098) | $ |
| | 15,468 | (15,468) | |
| | 16,600 | (16,600) | |
| 132,377 | 132,377 | (132,377) | |
| | 1,595,000 | (1,595,000) | |
| $ 132,377 | $ 1,842,543 | $ (1,842,543) | $ - 0 - |
| $ 189,775 | $ 2,438,628 | | |
| | | $ 682,516 | $ 682,516 |
| | | 16,606 | 16,606 |
| | | 131,919 | 131,919 |
| | | 1,710,455 | 1,710,455 |
| | | $ 2,541,496 | $ 2,541,496 |

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

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT
## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
## JUNE 30, 2020

| | | |
|---|---|---|
| Total Fund Balances - Governmental Funds | | $ 1,842,543 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. | | 2,117,516 |
| Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District. | | 32,396 |
| 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 | $ (15,959) | |
| Bonds Payable | (1,435,000) | (1,450,959) |
| Total Net Position - Governmental Activities | | $ 2,541,496 |

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

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## GREEN TRAILS MUNICIPAL UTILITY DISTRICT
### STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
### FOR THE YEAR ENDED JUNE 30, 2020

| | | Special Revenue Funds | |
|---|---|---|---|
| | General Fund | Water Plant | Wastewater Treatment Plant |
| **REVENUES** | | | |
| Property Taxes | $ 434,566 | $ | $ |
| Water Service | 248,473 | 412,703 | |
| Wastewater Service | 246,754 | | 310,720 |
| Groundwater Reduction Fees | 155,865 | | |
| Penalty and Interest | 3,693 | | |
| Tap Connection and Inspection Fees | 1,440 | | |
| Sales Tax Revenues | 11,140 | | |
| Investment Revenues | 23,816 | 151 | 144 |
| Miscellaneous Revenues | 89,926 | | 12,823 |
| **TOTAL REVENUES** | $ 1,215,673 | $ 412,854 | $ 323,687 |
| **EXPENDITURES/EXPENSES** | | | |
| Service Operations: | | | |
| Professional Fees | $ 147,189 | $ 9,048 | $ 13,777 |
| Contracted Services | 302,974 | 39,281 | 89,600 |
| Purchased Water Service | 279,572 | | |
| Purchased Wastewater Service | 107,812 | | |
| Utilities | | 85,339 | 50,469 |
| Groundwater Reduction Costs | | 213,612 | |
| Repairs and Maintenance | 138,178 | 37,585 | 42,298 |
| Depreciation | | | |
| Other | 30,717 | 27,989 | 113,403 |
| Capital Outlay | | | 14,140 |
| Debt Service: | | | |
| Bond Principal | | | |
| Bond Interest | | | |
| **TOTAL EXPENDITURES/EXPENSES** | $ 1,006,442 | $ 412,854 | $ 323,687 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES** | $ 209,231 | $ -0- | $ -0- |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers In (Out) | $ 30,587 | $ (40,529) | $ -0- |
| **NET CHANGE IN FUND BALANCES** | $ 239,818 | $ (40,529) | $ |
| **CHANGE IN NET POSITION** | | | |
| **FUND BALANCES/NET POSITION - JULY 1, 2019** | 1,453,742 | 40,535 | 16,600 |
| **FUND BALANCES/NET POSITION - JUNE 30, 2020** | $ 1,693,560 | $ 6 | $ 16,600 |

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

| Debt Service Fund | Total | Adjustments | Statement of Activities |
|---|---|---|---|
| $ 205,371 | $ 639,937 | $ (2,484) | $ 637,453 |
| | 661,176 | (279,572) | 381,604 |
| | 557,474 | (107,812) | 449,662 |
| | 155,865 | | 155,865 |
| 8,367 | 12,060 | 121 | 12,181 |
| | 1,440 | | 1,440 |
| | 11,140 | | 11,140 |
| 1,736 | 25,847 | | 25,847 |
| 10 | 102,759 | (9,942) | 92,817 |
| $ 215,484 | $ 2,167,698 | $ (399,689) | $ 1,768,009 |
| | | | |
| $ 1,867 | $ 171,881 | $ | $ 171,881 |
| 20,072 | 451,927 | | 451,927 |
| | 279,572 | (279,572) | |
| | 107,812 | (107,812) | |
| | 135,808 | | 135,808 |
| | 213,612 | | 213,612 |
| | 218,061 | | 218,061 |
| | | 170,889 | 170,889 |
| 6,286 | 178,395 | | 178,395 |
| | 14,140 | (14,140) | |
| | | | |
| 95,000 | 95,000 | (95,000) | |
| 67,163 | 67,163 | (832) | 66,331 |
| $ 190,388 | $ 1,933,371 | $ (326,467) | $ 1,606,904 |
| $ 25,096 | $ 234,327 | $ (73,222) | $ 161,105 |
| $ -0- | $ (9,942) | $ 9,942 | $ -0- |
| $ 25,096 | $ 224,385 | $ (224,385) | $ |
| | | 161,105 | 161,105 |
| 107,281 | 1,618,158 | 762,233 | 2,380,391 |
| $ 132,377 | $ 1,842,543 | $ 698,953 | $ 2,541,496 |

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

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT
## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED JUNE 30, 2020

| | | |
|---|---|---|
| Net Change in Fund Balances - Governmental Funds | $ | 224,385 |
| 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. | | (2,484) |
| Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed. | | 121 |
| 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. | | (170,889) |
| 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. | | 14,140 |
| 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. | | 95,000 |
| 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. | | 832 |
| Change in Net Position - Governmental Activities | $ | 161,105 |

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

## NOTE 1. CREATION OF DISTRICT

Green Trails Municipal Utility District (the "District") was created effective October 8, 1980, by an Order of 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, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and, subject to certain limitation, to develop parks and recreational facilities for the residents of the District. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the Commission and the voters of the District. The Board of Directors held its first meeting on October 13, 1980 and the first bonds were sold on October 26, 1981.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic 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.

The District has entered into an agreement with Baker Road Municipal Utility District for water service through a joint water plant and water well. The District has oversight over the water plant. Additional disclosure concerning this agreement is provided in Note 8.

The District has entered into an agreement with Harris County Municipal Utility District No. 345 for wastewater disposal through a regional wastewater treatment plant (the "Plant"). The District has oversight responsibility over the Plant. Additional disclosure concerning this agreement is provided in Note 9.

<u>Financial Statement Presentation</u>

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

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

* Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

* Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

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

### Government-Wide Financial Statements

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

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

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

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fund Financial Statements

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

Governmental Funds

The District has four governmental funds and considers each to be major.

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

Special Revenue Fund Water Plant – To account for financial resources collected and administered by the District for the operation of the joint water plant and water well which is a joint venture of the District with Baker Road Municipal Utility District.

Special Revenue Fund Wastewater Treatment Plant – To account for financial resources collected and administered by the District for the operation of the joint wastewater treatment plant which is a joint venture of the District with Harris County Municipal Utility District No. 345.

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

Basis of Accounting

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

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

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Accounting (Continued)

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. See Note 13 for interfund receivables/payables and transfers as of June 30, 2020.

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 fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

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 |
|---|---|
| Parks and Recreational | 15-20 |
| Water System | 10-45 |
| Wastewater System | 10-45 |

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget was amended. Each Special Revenue Fund budgets for the current year were not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund and Special Revenue Funds present the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered to be “employees” for federal payroll tax purposes only.

## 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 fund types report increases and decreases in available spendable resources. Fund balances in governmental funds using the following hierarchy:

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

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

*Committed*: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the period. 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 and 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.

## NOTE 3. LONG-TERM DEBT

| | Series 2011 |
|---|---|
| Amount Outstanding – June 30, 2020 | $1,435,000 |
| Interest Rates | 3.75% - 4.875% |
| Maturity Date | April 1,<br>2021/2031 |
| Interest Payment Dates | October 1/<br>April 1 |
| Callable Dates | April 1, 2019* |

* Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2011 term bonds maturing on April 1, 2023, April 1, 2026, April 1, 2029, and April 1, 2031, are subject to mandatory redemption by random selection beginning April 1, 2022, April 1, 2024, April 1, 2027, April 1, 2030, respectively.

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2020:

| | July 1, 2019 | Additions | Retirements | June 30, 2020 |
|---|---|---|---|---|
| Bonds Payable | $ 1,530,000 | $ -0- | $ 95,000 | $ 1,435,000 |

| | |
|---|---|
| Amount Due Within One Year | $ 100,000 |
| Amount Due After One Year | 1,335,000 |
| Bonds Payable | $ 1,435,000 |

As of June 30, 2020, the District has authorized but unissued tax bonds of $9,575,000 and authorized but unissued refunding bonds of $11,660,000.

As of June 30, 2020, the debt service requirements on the bonds outstanding were as follows:

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2021 | $ 100,000 | $ 63,837 | $ 163,837 |
| 2022 | 105,000 | 60,087 | 165,087 |
| 2023 | 110,000 | 55,887 | 165,887 |
| 2024 | 120,000 | 51,487 | 171,487 |
| 2025 | 125,000 | 46,327 | 171,327 |
| 2026-2030 | 710,000 | 143,576 | 853,576 |
| 2031 | 165,000 | 8,043 | 173,043 |
| | $ 1,435,000 | $ 429,244 | $ 1,864,244 |

## NOTE 3. LONG-TERM DEBT (Continued

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. During the year ended June 30, 2020, the District levied an ad valorem debt service tax rate of $0.069 per $100 of assessed valuation, which resulted in a tax levy of $207,544 on the adjusted taxable valuation of $300,790,036 for the 2019 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.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

## NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

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

B. The bond resolution states that 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

<u>Deposits</u>

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.

**NOTE 5. DEPOSITS AND INVESTMENTS** (Continued)

Deposits (Continued)

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At year end, the carrying amount of the District's deposits was $1,124,122 and the bank balance was $1,193,116. The District was not exposed to custodial credit risk st year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2020, as listed below:

| | Cash | Certificates of Deposit | Total |
|---|---|---|---|
| GENERAL FUND | $ 122,341 | $ 807,352 | $ 929,693 |
| SPECIAL REVENUE FUNDS | 134,747 | | 134,747 |
| DEBT SERVICE FUND | 59,682 | | 59,682 |
| TOTAL DEPOSITS | $ 316,770 | $ 807,352 | $ 1,124,122 |

Investments

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

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

The District invests in TexPool and Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), external public funds investment pools that are not SEC-registered. The State

**NOTE 5. DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)

Comptroller of Public Accounts of the State of Texas has oversight of TexPool. Federated Investors, Inc. manages the daily operations of TexPool under a contract with the Comptroller. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor for Texas CLASS. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pools is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexPool Texas CLASS.

As of June 30, 2020, the District had the following investments and maturities:

| Fund and Investment Type | Fair Value | Maturities of Less Than 1 Year |
|---|---|---|
| GENERAL FUND | | |
| Texas CLASS | $ 750,117 | $ 750,117 |
| TexPool | 4,011 | 4,011 |
| Certificates of Deposit | 807,352 | 807,352 |
| DEBT SERVICE FUND | | |
| Texas CLASS | 120,397 | 120,397 |
| TOTAL INVESTMENTS | $ 1,681,877 | $ 1,681,877 |

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2020, the District's investments in TexPool and Texas CLASS were rated "AAAm" by Standard & Poor's. The District also manages credit risk by investing in certificates of deposit with balances below FDIC coverage.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and Texas CLASS to have a maturity of less than one year due to the fact the share positions 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 Special Revenue Funds are restricted for the water plant and wastewater treatment plant operations. 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.

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT
## NOTES TO THE FINANCIAL STATEMENTS
## JUNE 30, 2020

## NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020:

| | July 1, 2019 | Increases | Decreases | June 30, 2020 |
|---|---|---|---|---|
| **Capital Assets Not Being Depreciated** | | | | |
| Land and Land Improvements | $ 185,001 | $ -0- | $ -0- | $ 185,001 |
| **Capital Assets Subject to Depreciation** | | | | |
| Parks and Recreational | $ 89,515 | | $ | $ 89,515 |
| Water System | 3,118,279 | | | 3,118,279 |
| Wastewater System | 2,198,621 | 14,140 | | 2,212,761 |
| **Total Capital Assets Subject to Depreciation** | $ 5,406,415 | $ 14,140 | $ - 0 - | $ 5,420,555 |
| **Accumulated Depreciation** | | | | |
| Parks and Recreational | $ 62,697 | $ 4,488 | $ | $ 67,185 |
| Water System | 1,774,745 | 117,426 | | 1,892,171 |
| Wastewater System | 1,479,709 | 48,975 | | 1,528,684 |
| **Total Accumulated Depreciation** | $ 3,317,151 | $ 170,889 | $ - 0 - | $ 3,488,040 |
| **Total Depreciable Capital Assets, Net of Accumulated Depreciation** | $ 2,089,264 | $ (156,749) | $ - 0 - | $ 1,932,515 |
| **Total Capital Assets, Net of Accumulated Depreciation** | $ 2,274,265 | $ (156,749) | $ - 0 - | $ 2,117,516 |

## NOTE 7. MAINTENANCE TAX

On January 17, 1981, the voters of the District approved the levy and collection of a maintenance tax not to exceed $0.50 per $100 of assessed valuation of taxable property within the District. During the year ending June 30, 2020, the District levied an ad valorem maintenance tax rate of $0.146 per $100 of assessed valuation, which resulted in a tax levy of $439,151 on the adjusted taxable valuation of $300,790,036 for the 2019 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

## NOTE 8. WATER SUPPLY AGREEMENT

On May 22, 1995, and as amended June 3, 2003, September 2, 2008, August 7, 2012 and January 1, 2020, the District entered into a 40-year water supply agreement with Baker Road Municipal Utility District ("Baker Road") in which Baker Road purchased a 29.46 percent share of capacity in a permanent water production and supply facility owned by the District, including well no. 2 which was completed in a prior fiscal year. Operating costs of the facilities are shared based on capacity owned as follows except for fees related to surface water under the GRPA (as hereinafter defined) with the City, which fees are paid by each district based upon its respective metered usage. To account for unmetered water losses, a four percent fee is added to the Baker Road metered rate. Additionally, Baker Road pays an administrative charge of ten percent of its portion of the monthly operating costs.

**NOTE 8. WATER SUPPLY AGREEMENT** (Continued)

| | Capacity Percentage |
|---|---|
| The District | 70.54% |
| Baker Road Municipal Utility District | 29.46 |
| | 100.00% |

During the current fiscal year, the District recorded an expenditure of $279,572 in accordance with this agreement. The terms of the water supply agreement allow for the establishment of an operating reserve not to exceed three months' average costs. The District and Baker Road have contributed $83,092 and $34,702, respectively, for their shares of an operating reserve. Transactions for the current years are summarized as follows:

| | The District | Baker Road | Total |
|---|---|---|---|
| Due from participants, July 1, 2019 | $ 64,891 | $ 40,777 | $ 105,668 |
| Current year billings to participants | 279,572 | 118,569 | 398,141 |
| Administrative charges | | 12,109 | 12,109 |
| Additional four percent | | 2,453 | 2,453 |
| Current year collections | 297,376 | 143,659 | 441,035 |
| Due from participants, June 30, 2020 | $ 47,087 | $ 30,249 | $ 77,336 |

**NOTE 9. REGIONAL SEWAGE TREATMENT PLANT AGREEMENT**

The District and Harris County Municipal Utility District No. 345 ("District No. 345") entered into a 40-year wastewater disposal agreement on January 25, 1990, which was last amended on April 1, 1992. District No. 345 acquired an initial 130,000 gallons-per-day (gpd) capacity and subsequently acquired an additional 155,000 gpd capacity for a total of 285,000 gpd capacity in the District's then existing 650,000 gpd wastewater treatment plant.

According to the April 1, 1992 agreement, the District expanded the plant capacity by 340,000 gpd at the request of District No. 345. The total current capacity for each district is as follows:

| | Capacity Percentage |
|---|---|
| The District | 36.87% |
| District No. 345 | 63.13 |
| Totals | 100.00% |

The District holds title to the plant and operates the plant for the benefit of the participants. Operating costs are shared based upon the pro rata share of capacity owned. In addition, District No. 345 pays an administrative charge of ten percent of its portion of the monthly operating costs to the District.

## NOTE 9. REGIONAL SEWAGE TREATMENT PLANT AGREEMENT (Continued)

District No. 345 has sold 275,000 gpd of its capacity in the plant to Harris County Municipal Utility District No. 346, which is billed its pro rata share of the plant expenditures by District No. 345.

The terms of the wastewater disposal agreement allow for the establishment of an operating reserve not to exceed three months' average costs. The District and District No. 345 have contributed $15,468 and $54,908, respectively, for their shares of an operating reserve. Transactions for the current year are summarized as follows:

| | The District | District No. 345 | Total |
|---|---|---|---|
| Due from participants, July 1, 2019 | $ 18,783 | $ 59,542 | $ 78,325 |
| Current year billings to participants | 107,812 | 202,908 | 310,720 |
| Administrative charges | | 18,095 | 18,095 |
| Current year collections | 108,040 | 232,224 | 340,264 |
| Due from participants, June 30, 2020 | $ 18,555 | $ 48,321 | $ 66,876 |

## NOTE 10. GROUNDWATER REDUCTION PLAN AGREEMENT

The District and Baker Road are within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The Disrtict's authority to pump groundwater from its wells is subject to an annual permit issued by the Subsidence District. In 1999, the Subsidence District adopted a district regulatory plan to reduce groundwater withdrawal through the conversion to surface water. The District and Baker Road have entered into a Groundwater Reduction Plan Agreement ("GRPA") with the City of Houston (the "City"), in order to meet the Subsidence District's requirements. As participants in the GRPA, the districts have complied with all Subsidence District requirements for surface water conversion, but are obligated to pay the City a groundwater withdrawal fee for all groundwater produced and used by the districts and a water purchase fee for any water actually purchased from the City in the future. The District's fees paid to the City for the GRPA in the current fiscal year was $213,612. The fees paid for water pumped for customer use is included in the purchased water billed by the District, see Note 8.

## NOTE 11. 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. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

## NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT

The District entered into a Strategic Partnership Agreement (the "SPA") with the City of Houston (the "City") effective December 30, 2003. Pursuant to the terms of the SPA, the City annexed the District for limited purposes. The SPA provides for the levy of City sales tax on qualifying retail sales in the District and payment to the District of 50 percent of the sales tax revenue collected by the City from sales tax collected from entities located within the boundaries of the District. The District will continue to provide water, sewer, and drainage services to all properties within its boundaries. The City has also agreed not to annex the District for full purposes without the consent of the District during the 30-year term of the SPA. The District recorded $11,140 in revenues during the current year related to the SPA which was an increase from $1,641 recorded in revenues in the previous fiscal year.

## NOTE 13. INTERFUND PAYABLES AND RECEIVABLES/TRANSFERS

As of June 30, 2020, the District had the following interfund liabilities: the Debt Service Fund owed the General Fund $45,340 for a timing difference in the transfer of maintenance tax revenues; the General Fund owed the Special Revenue Funds $57,924 for the water and wastewater treatment plants operating costs and $35,249 for a deposit of funds made in error to the General Fund; and the Special Revenue Funds owed the General Fund $9,862 for administrative costs and $29,000 for funds transferred from the General Fund to provide cash flow for paying bills. During the current fiscal year, the Special Revenue Fund for the Water Plant transferred $30,587 to the General Fund as part of implementing an operating reserve.

## NOTE 14. UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which could have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

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# GREEN TRAILS MUNICIPAL UTILITY DISTRICT

## REQUIRED SUPPLEMENTARY INFORMATION

## JUNE 30, 2020

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT
## SCHEDULE OF REVENUES, EXPENDITURES AND
## CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
## FOR THE YEAR ENDED JUNE 30, 2020

| | Original Budget | Final Amended Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Property Taxes | $ 421,890 | $ 436,674 | $ 434,566 | $ (2,108) |
| Water Service | 222,000 | 246,900 | 248,473 | 1,573 |
| Wastewater Service | 205,000 | 240,800 | 246,754 | 5,954 |
| Goundwater Reduction Fees | 148,500 | 148,500 | 155,865 | 7,365 |
| Penalty and Interest | 5,000 | 5,000 | 3,693 | (1,307) |
| Tap Connection and Inspection Fees | 4,000 | 4,000 | 1,440 | (2,560) |
| Sales Tax Revenues | 1,800 | 1,800 | 11,140 | 9,340 |
| Investment Revenues | 20,250 | 20,250 | 23,816 | 3,566 |
| Miscellaneous Revenues | 58,276 | 58,276 | 89,926 | 31,650 |
| **TOTAL REVENUES** | $ 1,086,716 | $ 1,162,200 | $ 1,215,673 | $ 53,473 |
| **EXPENDITURES** | | | | |
| Service Operations: | | | | |
| Professional Fees | $ 68,700 | $ 68,700 | $ 147,189 | $ (78,489) |
| Contracted Services | 297,800 | 297,800 | 302,974 | (5,174) |
| Purchased Water Service | 332,122 | 332,122 | 279,572 | 52,550 |
| Purchased Wastewater Service | 127,649 | 127,649 | 107,812 | 19,837 |
| Repairs and Maintenance | 135,000 | 135,000 | 138,178 | (3,178) |
| Other | 37,100 | 37,100 | 30,717 | 6,383 |
| Capital Outlay | 198,000 | 198,000 | | 198,000 |
| **TOTAL EXPENDITURES** | $ 1,196,371 | $ 1,196,371 | $ 1,006,442 | $ 189,929 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES** | $ (109,655) | $ (34,171) | $ 209,231 | $ 243,402 |
| **OTHER FINANCING SOURCES(USES)** | | | | |
| Transfer In | $ -0- | $ -0- | $ 30,587 | $ 30,587 |
| **NET CHANGE IN FUND BALANCE** | $ (109,655) | $ (34,171) | $ 239,818 | $ 273,989 |
| **FUND BALANCE - JULY 1, 2019** | 1,453,742 | 1,453,742 | 1,453,742 | |
| **FUND BALANCE - JUNE 30, 2020** | $ 1,344,087 | $ 1,419,571 | $ 1,693,560 | $ 273,989 |

See accompanying independent auditor's report.

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT
## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND - WATER PLANT
## FOR THE YEAR ENDED JUNE 30, 2020

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| **REVENUES** | | | |
| Water Service | $ 487,370 | $ 412,703 | $ (74,667) |
| Investment Revenues | 100 | 151 | 51 |
| **TOTAL REVENUES** | $ 487,470 | $ 412,854 | $ (74,616) |
| **EXPENDITURES** | | | |
| Service Operations: | | | |
| Professional Fees | $ 20,200 | $ 9,048 | $ 11,152 |
| Contracted Services | 39,600 | 39,281 | 319 |
| Utilities | 92,300 | 85,339 | 6,961 |
| Groundwater Reduction Fees | 235,279 | 213,612 | 21,667 |
| Repairs and Maintenance | 67,400 | 37,585 | 29,815 |
| Other | 32,691 | 27,989 | 4,702 |
| **TOTAL EXPENDITURES** | $ 487,470 | $ 412,854 | $ 74,616 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES** | $ -0- | $ -0- | $ -0- |
| **OTHER FINANCING SOURCES(USES)** | | | |
| Transfer to Reserve | $ -0- | $ (40,529) | $ (40,529) |
| **NET CHANGE IN FUND BALANCE** | $ -0- | $ (40,529) | $ (40,529) |
| **FUND BALANCE - JULY 1, 2019** | 40,535 | 40,535 | |
| **FUND BALANCE - JUNE 30, 2020** | $ 40,535 | $ 6 | $ (40,529) |

See accompanying independent auditor’s report.

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT
## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND - WASTEWATER TREATMENT PLANT
## FOR THE YEAR ENDED JUNE 30, 2020

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| **REVENUES** | | | |
| Wastewater Service | $ 372,930 | $ 310,720 | $ (62,210) |
| Investment Revenues | 60 | 144 | 84 |
| Miscellaneous Revenues | | 12,823 | 12,823 |
| **TOTAL REVENUES** | $ 372,990 | $ 323,687 | $ (49,303) |
| **EXPENDITURES** | | | |
| Service Operations: | | | |
| Professional Fees | $ 15,200 | $ 13,777 | $ 1,423 |
| Contracted Services | 91,200 | 89,600 | 1,600 |
| Utilities | 75,000 | 50,469 | 24,531 |
| Repairs and Maintenance | 72,000 | 42,298 | 29,702 |
| Other | 119,590 | 113,403 | 6,187 |
| Capital Outlay | | 14,140 | (14,140) |
| **TOTAL EXPENDITURES** | $ 372,990 | $ 323,687 | $ 49,303 |
| **NET CHANGE IN FUND BALANCE** | $ -0- | $ -0- | $ -0- |
| **FUND BALANCE - JULY 1, 2019** | 16,600 | 16,600 | |
| **FUND BALANCE - JUNE 30, 2020** | $ 16,600 | $ 16,600 | $ -0- |

See accompanying independent auditor’s report.

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# GREEN TRAILS MUNICIPAL UTILITY DISTRICT

## SUPPLEMENTARY INFORMATION REQUIRED BY THE

## WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

## JUNE 30, 2020

-

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT
## SERVICES AND RATES
## FOR THE YEAR ENDED JUNE 30, 2020

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

| | | | | | |
|---|---|---|---|---|---|
| X | Retail Water | | Wholesale Water | | Drainage |
| X | Retail Wastewater | | Wholesale Wastewater | | Irrigation |
| X | Parks/Recreation | | Fire Protection | X | Security |
| X | Solid Waste/Garbage | | Flood Control | | Roads |
| X | 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 May 26, 2020.

| | Minimum Charge | Minimum Usage | Flat Rate Y/N | Rate per 1,000 Gallons over Minimum Use | Usage Levels |
|---|---|---|---|---|---|
| WATER: | $ 10.00 | 5,000 | N | $ 1.25 | 5,001 to 25,000 |
| | | | | $ 2.25 | 25,001 – 60,000 |
| | | | | $ 4.00 | 60,001 – 100,000 |
| | | | | $ 6.00 | 100,001 – 150,000 |
| | | | | $ 8.00 | 150,001 – 200,000 |
| | | | | $ 10.00 | 200,001 and up |
| WASTEWATER: | $ 18.35 | | Y | | |
| SURCHARGE: | | | | | |
| Solid Waste/ Garbage* | | | | | |
| Commission Regulatory Assessments* | | | | | |
| Groundwater Reduction Fees | | | Y | $ 1.10 | 0001 and up |
| Other | | | | | |

District employs winter averaging for wastewater usage? ___ Yes  X No

Total monthly charges per 10,000 gallons usage: Water: $16.25 Wastewater: $18.35 Surcharge: $11.00 Total: $45.60

* Charges above include solid waste disposal and regulatory assessments

See accompanying independent auditor's report.

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT
## SERVICES AND RATES
## FOR THE YEAR ENDED JUNE 30, 2020

**2. RETAIL SERVICE PROVIDERS** (Continued)

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

| Meter Size | Total Connections | Active Connections | ESFC Factor | Active ESFCs |
|---|---|---|---|---|
| Unmetered | | | x 1.0 | |
| <u><</u>¾" | 585 | 582 | x 1.0 | 582 |
| 1" | 115 | 115 | x 2.5 | 288 |
| 1½" | 5 | 5 | x 5.0 | 25 |
| 2" | 15 | 15 | x 8.0 | 120 |
| 3" | | | x 15.0 | |
| 4" | 1 | 1 | x 25.0 | 25 |
| 6" | | | x 50.0 | |
| 8" | | | x 80.0 | |
| 10" | | | x 115.0 | |
| Total Water Connections | 721 | 718 | | 1,040 |
| Total Wastewater Connections | 695 | 692 | x 1.0 | 692 |

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

| | | |
|---|---|---|
| Gallons pumped into system: | 218,655,000 | Water Accountability Ratio: 96.6%<br>(Gallons billed /Gallons pumped) |
| Gallons billed to customers: | 146,981,000 | |
| Total gallons sold: | 61,537,000 | To: Baker Road Municipal Utility District |
| Leaks and Flushing: | 2,650,000 | |

See accompanying independent auditor's report.

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT
**SERVICES AND RATES**
**FOR THE YEAR ENDED JUNE 30, 2020**

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

| | | |
|---|---|---|
| Does the District have Debt Service standby fees? | Yes __ | No __X__ |
| Does the District have Operation and Maintenance standby fees? | Yes __ | No __X__ |

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes __X__ No _____

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely _____ Partly ______ Not at all __X__

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

Entirely __X__ Partly ______ Not at all _____

ETJ's in which District is located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes _____ No __X__

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT
## GENERAL FUND EXPENDITURES
## FOR THE YEAR ENDED JUNE 30, 2020

| | | |
|---|---|---|
| PROFESSIONAL FEES: | | |
| Auditing | $ | 12,200 |
| Engineering | | 77,873 |
| Legal | | 57,116 |
| TOTAL PROFESSIONAL FEES | $ | 147,189 |
| PURCHASED SERVICES FOR RESALE: | | |
| Purchased Water Service | $ | 279,572 |
| Purchased Wastewater Service | | 107,812 |
| TOTAL PURCHASED SERVICES FOR RESALE | $ | 387,384 |
| CONTRACTED SERVICES: | | |
| Bookkeeping | $ | 11,269 |
| Operations and Billing | | 30,237 |
| Security | | 99,976 |
| Solid Waste Disposal | | 161,492 |
| TOTAL CONTRACTED SERVICES | $ | 302,974 |
| REPAIRS AND MAINTENANCE | $ | 138,178 |
| ADMINISTRATIVE EXPENDITURES: | | |
| Director Fees | $ | 1,950 |
| Dues | | 675 |
| Insurance | | 4,216 |
| Office Supplies and Postage | | 7,373 |
| Payroll Taxes | | 309 |
| Other | | 8,351 |
| TOTAL ADMINISTRATIVE EXPENDITURES | $ | 22,874 |
| OTHER EXPENDITURES: | | |
| Laboratory Fees | $ | 2,908 |
| Permit Fees | | 2,498 |
| Regulatory Assessment | | 2,437 |
| TOTAL OTHER EXPENDITURES | $ | 7,843 |
| TOTAL EXPENDITURES | $ | 1,006,442 |

See accompanying independent auditor's report.

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT
## INVESTMENTS
## JUNE 30, 2020

| Funds | Identification or Certificate Number | Interest Rate | Maturity Date | Balance at End of Year | Accrued Interest Receivable at End of Year |
|---|---|---|---|---|---|
| GENERAL FUND | | | | | |
| Texas CLASS | XXXX0001 | Varies | Daily | $ 750,117 | $ |
| TexPool | XXXX0001 | Varies | Daily | 4,011 | |
| Certificate of Deposit | XXXX6021 | 0.25% | 12/15/20 | 254,752 | 23 |
| Certificate of Deposit | XXXX4201 | 0.65% | 06/18/21 | 102,600 | 22 |
| Certificate of Deposit | XXXX3428 | 1.00% | 04/16/21 | 200,000 | 411 |
| Certificate of Deposit | XXXX0980 | 1.60% | 01/26/21 | 250,000 | 1,698 |
| TOTAL GENERAL FUND | | | | $ 1,561,480 | $ 2,154 |
| DEBT SERVICE FUND | | | | | |
| Texas CLASS | XXXX0003 | Varies | Daily | $ 120,397 | $ -0- |
| TOTAL - ALL FUNDS | | | | $ 1,681,877 | $ 2,154 |

See accompanying independent auditor's report.

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT
## TAXES LEVIED AND RECEIVABLE
## FOR THE YEAR ENDED JUNE 30, 2020

| | Maintenance Taxes | | Debt Service Taxes | |
|---|---|---|---|---|
| TAXES RECEIVABLE - JULY 1, 2019 | $ 18,731 | | $ 10,344 | |
| Adjustments to Beginning Balance | (6,421) | $ 12,310 | (2,821) | $ 7,523 |
| Original 2019 Tax Levy | $ 407,778 | | $ 192,717 | |
| Adjustment to 2019 Tax Levy | 31,373 | 439,151 | 14,827 | 207,544 |
| TOTAL TO BE ACCOUNTED FOR | | $ 451,461 | | $ 215,067 |
| TAX COLLECTIONS: | | | | |
| Prior Years | $ 912 | | $ 425 | |
| Current Year | 433,654 | 434,566 | 204,946 | 205,371 |
| TAXES RECEIVABLE - JUNE 30, 2020 | | $ 16,895 | | $ 9,696 |
| TAXES RECEIVABLE BY YEAR: | | | | |
| 2019 | | $ 5,497 | | $ 2,598 |
| 2018 | | 1,701 | | 746 |
| 2017 | | 1,731 | | 759 |
| 2016 | | 1,671 | | 766 |
| 2015 | | 1,257 | | 767 |
| 2014 | | 1,122 | | 771 |
| 2013 | | 1,115 | | 652 |
| 2012 | | 1,441 | | 700 |
| 2011 | | 1,360 | | 1,937 |
| TOTAL | | $ 16,895 | | $ 9,696 |

See accompanying independent auditor's report.

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT
## TAXES LEVIED AND RECEIVABLE
## FOR THE YEAR ENDED JUNE 30, 2020

| | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| TOTAL PROPERTY VALUATIONS | $ 300,790,036 | $ 292,321,315 | $ 296,848,658 | $ 287,057,520 |
| TAX RATES PER $100 VALUATION: | | | | |
| Debt Service | $ 0.069 | $ 0.064 | $ 0.064 | $ 0.066 |
| Maintenance | 0.146 | 0.146 | 0.146 | 0.144 |
| TOTAL TAX RATES PER $100 VALUATION | $ 0.215 | $ 0.210 | $ 0.210 | $ 0.210 |
| ADJUSTED TAX LEVY* | $ 646,695 | $ 613,871 | $ 623,379 | $ 590,823 |
| PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED | 98.75 % | 99.60 % | 99.60 % | 99.59 % |

* 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 $0.50 per $100 of assessed valuation approved by voters on January 17, 1981.

See accompanying independent auditor's report.

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# GREEN TRAILS MUNICIPAL UTILITY DISTRICT
## LONG-TERM DEBT SERVICE REQUIREMENTS
## JUNE 30, 2020

| | SERIES - 2011 | | |
|---|---|---|---|
| Due During Fiscal Years Ending June 30 | Principal Due April 1 | Interest Due October 1/ April 1 | Total |
| 2021 | $ 100,000 | $ 63,837 | $ 163,837 |
| 2022 | 105,000 | 60,087 | 165,087 |
| 2023 | 110,000 | 55,887 | 165,887 |
| 2024 | 120,000 | 51,487 | 171,487 |
| 2025 | 125,000 | 46,327 | 171,327 |
| 2026 | 130,000 | 40,953 | 170,953 |
| 2027 | 135,000 | 35,363 | 170,363 |
| 2028 | 140,000 | 29,085 | 169,085 |
| 2029 | 150,000 | 22,575 | 172,575 |
| 2030 | 155,000 | 15,600 | 170,600 |
| 2031 | 165,000 | 8,043 | 173,043 |
| | $ 1,435,000 | $ 429,244 | $ 1,864,244 |

See accompanying independent auditor's report.

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT
## CHANGE IN LONG-TERM BOND DEBT
## FOR THE YEAR ENDED JUNE 30, 2020

| Description | Original Bonds Issued | Bonds Outstanding July 1, 2019 |
|---|---|---|
| Green Trails Municipal Utility District Unlimited Tax Bonds - Series 2011 | $ 2,100,000 | $ 1,530,000 |

| Bond Authority: | Tax Bonds | Refunding Bonds |
|---|---|---|
| Amount Authorized by Voters | $ 18,000,000 | $ 15,000,000 |
| Amount Issued | 8,425,000 | 3,340,000 |
| Remaining to be Issued | $ 9,575,000 | $ 11,660,000 |

| | |
|---|---|
| Debt Service Fund cash, investments and cash with paying agent balances as of June 30, 2020: | $ 180,079 |
| Average annual debt service payment (principal and interest) for remaining term of all debt: | $ 169,477 |

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

See accompanying independent auditor's report.

| Current Year Transactions | | | | |
|---|---|---|---|---|
| | Retirements | | Bonds Outstanding | |
| Bonds Sold | Principal | Interest | June 30, 2020 | Paying Agent |
| $ -0- | $ 95,000 | $ 67,163 | $ 1,435,000 | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |

See accompanying independent auditor's report.

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT
## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
## GENERAL FUND - FIVE YEARS

| | Amounts | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| **REVENUES** | | | |
| Property Taxes | $ 434,566 | $ 417,609 | $ 429,790 |
| Water Service | 248,473 | 204,234 | 218,797 |
| Wastewater Service | 246,754 | 204,216 | 196,620 |
| Groundwater Reduction Fees | 155,865 | 140,605 | 143,361 |
| Penalty and Interest | 3,693 | 4,212 | 4,307 |
| Tap Connection and Inspection Fees | 1,440 | 1,470 | 1,440 |
| Sales Tax Revenues | 11,140 | 1,641 | 7,421 |
| Investment Revenues | 23,816 | 22,709 | 11,185 |
| Miscellaneous Revenues | 89,926 | 64,699 | 55,031 |
| **TOTAL REVENUES** | $ 1,215,673 | $ 1,061,395 | $ 1,067,952 |
| **EXPENDITURES** | | | |
| Professional Fees | $ 147,189 | $ 78,608 | $ 72,107 |
| Contracted Services | 302,974 | 298,492 | 289,722 |
| Purchased Services | 387,384 | 415,772 | 396,930 |
| Repairs and Maintenance | 138,178 | 169,517 | 92,142 |
| Other | 30,717 | 27,387 | 32,400 |
| Capital Outlay | | | |
| **TOTAL EXPENDITURES** | $ 1,006,442 | $ 989,776 | $ 883,301 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES** | $ 209,231 | $ 71,619 | $ 184,651 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfer In | $ 30,587 | $ - 0 - | $ -0- |
| **NET CHANGE IN FUND BALANCE** | $ 239,818 | $ 71,619 | $ 184,651 |
| **BEGINNING FUND BALANCE** | 1,453,742 | 1,382,123 | 1,197,472 |
| **ENDING FUND BALANCE** | $ 1,693,560 | $ 1,453,742 | $ 1,382,123 |

See accompanying independent auditor’s report.

| 2017 | 2016 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| | | Percentage of Total Revenue | | | | |
| $ 409,585 | $ 312,007 | 35.8 % | 39.5 % | 40.3 % | 38.5 % | 34.0 % |
| 214,428 | 186,017 | 20.4 | 19.2 | 20.5 | 20.1 | 20.3 |
| 193,072 | 199,296 | 20.3 | 19.2 | 18.4 | 18.1 | 21.7 |
| 154,611 | 145,280 | 12.8 | 13.2 | 13.4 | 14.5 | 15.8 |
| 4,467 | 4,384 | 0.3 | 0.4 | 0.4 | 0.4 | 0.5 |
| 1,425 | 1,440 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 |
| 6,274 | 6,832 | 0.9 | 0.2 | 0.7 | 0.6 | 0.7 |
| 6,395 | 3,441 | 2.0 | 2.1 | 1.0 | 0.6 | 0.4 |
| 75,521 | 58,860 | 7.4 | 6.1 | 5.2 | 7.1 | 6.4 |
| $ 1,065,778 | $ 917,557 | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| $ 56,024 | $ 59,789 | 12.1 % | 7.4 % | 6.8 % | 5.3 % | 6.5 % |
| 254,085 | 250,504 | 24.9 | 28.1 | 27.1 | 23.8 | 27.3 |
| 463,602 | 433,562 | 31.9 | 39.2 | 37.2 | 43.5 | 47.3 |
| 85,550 | 150,337 | 11.4 | 16.0 | 8.6 | 8.0 | 16.4 |
| 21,263 | 20,895 | 2.5 | 2.6 | 3.0 | 2.0 | 2.3 |
| 70,136 | 64,023 | | | | 6.6 | 7.0 |
| $ 950,660 | $ 979,110 | 82.8 % | 93.3 % | 82.7 % | 89.2 % | 106.8 % |
| $ 115,118 | $ (61,553) | 17.2 % | 6.7 % | 17.3 % | 10.8 % | (6.8) % |
| $ -0- | $ -0- | | | | | |
| $ 115,118 | $ (61,553) | | | | | |
| 1,082,354 | 1,143,907 | | | | | |
| $ 1,197,472 | $ 1,082,354 | | | | | |

See accompanying independent auditor’s report.

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT
## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
## DEBT SERVICE FUND - FIVE YEARS

| | Amounts | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| **REVENUES** | | | |
| Property Taxes | $ 205,371 | $ 183,048 | $ 188,422 |
| Penalty and Interest | 8,367 | 3,576 | 3,650 |
| Investment Revenues | 1,736 | 2,716 | 1,785 |
| Miscellaneous Revenues | 10 | 10 | 486 |
| **TOTAL REVENUES** | $ 215,484 | $ 189,350 | $ 194,343 |
| **EXPENDITURES** | | | |
| Tax Collection Expenditures | $ 27,475 | $ 24,042 | $ 43,094 |
| Debt Service Principal | 95,000 | 95,000 | 90,000 |
| Debt Service Interest and Fees | 67,913 | 71,237 | 74,388 |
| **TOTAL EXPENDITURES** | $ 190,388 | $ 190,279 | $ 207,482 |
| **NET CHANGE IN FUND BALANCE** | $ 25,096 | $ (929) | $ (13,139) |
| **BEGINNING FUND BALANCE** | 107,281 | 108,210 | 121,349 |
| **ENDING FUND BALANCE** | $ 132,377 | $ 107,281 | $ 108,210 |
| **TOTAL ACTIVE RETAIL WATER CONNECTIONS** | 718 | 718 | 719 |
| **TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS** | 692 | 691 | 693 |

See accompanying independent auditor's report.

| | | Percentage of Total Revenue | | | | |
|---|---|---|---|---|---|---|
| 2017 | 2016 | 2020 | 2019 | 2018 | 2017 | 2016 |
| $ 188,408 | $ 194,561 | 95.3 % | 96.7 % | 96.9 % | 97.7 % | 98.7 % |
| 2,487 | 2,345 | 3.9 | 1.9 | 1.9 | 1.3 | 1.2 |
| 883 | 155 | 0.8 | 1.4 | 0.9 | 0.5 | 0.1 |
| 1,011 | 5 | | | 0.3 | 0.5 | |
| $ 192,789 | $ 197,066 | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| $ 24,540 | $ 23,979 | 12.8 % | 12.7 % | 22.2 % | 12.7 % | 12.2 % |
| 85,000 | 80,000 | 44.1 | 50.2 | 46.3 | 44.1 | 40.6 |
| 76,613 | 79,413 | 31.5 | 37.6 | 38.3 | 39.7 | 40.3 |
| $ 186,153 | $ 183,392 | 88.4 % | 100.5 % | 106.8 % | 96.5 % | 93.1 % |
| $ 6,636 | $ 13,674 | 11.6 % | (0.5) % | (6.8) % | 3.5 % | 6.9 % |
| 114,713 | 101,039 | | | | | |
| $ 121,349 | $ 114,713 | | | | | |
| 721 | 720 | | | | | |
| 686 | 686 | | | | | |

See accompanying independent auditor’s report.

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT
## BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
## JUNE 30, 2020

| | | |
|---|---|---|
| District Mailing Address | - | Green Trails Municipal Utility District<br>c/o Schwartz, Page & Harding, L.L.P.<br>1300 Post Oak Blvd., Suite 1400<br>Houston, TX 77056-3078 |
| District Telephone Number | - | (713) 632-4531 |

| **Board Members** | Term of Office (Elected or Appointed) | Fees of Office for the fiscal year ended June 30, 2020 * | Expense Reimbursements for the fiscal year ended June 30, 2020 | Title |
|---|---|---|---|---|
| Douglas S. Diehl | 05/2020<br>05/2024<br>(Elected) | $ 550 | $ -0- | President |
| Brent Jones | 05/2018<br>05/2022<br>(Elected) | $ 750 | $ -0- | Vice President |
| Robert W. Lary | 05/2020<br>05/2024<br>(Elected) | $ 700 | $ -0- | Secretary |
| Mark Stasney | 05/2018<br>05/2022<br>(Elected) | $ 550 | $ -0- | Assistant Secretary |
| Mike Weatherwax | 05/2020<br>05/2024<br>(Appointed) | $ -0- | $ -0- | Assistant Secretary |
| Stephen Bingham | 05/2016<br>05/2020<br>(Resigned) | $ 600 | $ -0- | Director |

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: June 18, 2018

The limit on Fees of Office that a Director may receive during a fiscal year is approved to the maximum extend allowed by the law as set by Board Resolution. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

* Fees of office paid in the current year include amounts for the fiscal year ending June 30, 2019.

See accompanying independent auditor's report.

# GREEN TRAILS MUNICIPAL UTILITY DISTRICT
## BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
## JUNE 30, 2020

| **Consultants:** | Date Hired | District Fees for the fiscal year ended June 30, 2020 | Water Plant and Wastewater Treatment Plant Fees for the fiscal year ended June 30, 2020 | Title |
|---|---|---|---|---|
| Schwartz Page & Harding, L.L.P. | 10/13/80 | $ 58,150 | $ 1,735 | General Counsel |
| McCall Gibson Swedlund Barfoot PLLC | 05/22/18 | $ 12,200 | $ 6,400 | Auditor |
| McLennan & Associates | 06/18/18 | $ 11,800 | $ 8,800 | Bookkeeper |
| Perdue Brandon Fielder Collins & Mott | 01/28/97 | $ 1,867 | $ -0- | Delinquent Tax Attorney |
| Jones & Carter, Inc. | 05/10/04 | $ 77,873 | $ 14,690 | Engineer |
| Masterson Advisors LLC | 05/22/18 | $ -0- | $ -0- | Financial Advisor |
| Jorge Diaz | 08/14/18 | $ -0- | $ -0- | Investment Officer |
| Municipal Operations & Consulting, Inc. | 05/14/14 | $ 127,795 | $ 130,597 | Operator |
| Wheeler & Associates, Inc. | 1981 | $ 18,843 | $ -0- | Tax Assessor/ Collector |

See accompanying independent auditor's report.

# APPENDIX B

## Specimen Municipal Bond Insurance Policy

ASSURED GUARANTY MUNICIPAL

# 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