

OFFICIAL STATEMENT DATED JANUARY 14, 2021

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

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

NEW ISSUE – Book Entry Only

S&P (AGM Insured) "AA"
Moody's (AGM Insured) "A2"
Moody's (Underlying) "A1"

\$2,400,000

CIMARRON MUNICIPAL UTILITY DISTRICT OF HARRIS COUNTY, TEXAS

(A Political Subdivision of the State of Texas, located within Harris County and Fort Bend County)

UNLIMITED TAX REFUNDING BONDS

SERIES 2021

Interest Accrues: February 1, 2021

Due: March 1, as shown on inside cover

The \$2,400,000 Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds"), are obligations of Cimarron Municipal Utility District of Harris County, Texas (the "District"), and are not obligations of the State of Texas; Harris County, Texas; Fort Bend County, Texas; the City of Houston, Texas; or any political subdivision or entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; Harris County, Texas; Fort Bend County, Texas; the City of Houston, Texas; or any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable upon presentation to the paying agent/registrars, initially, Regions Bank, Houston, Texas, an Alabama banking corporation, (the "Registrar" or "Paying Agent"). Interest on the Bonds accrues from February 1, 2021, and is payable September 1, 2021, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date, and mailed by the Paying Agent to registered owners ("Registered Owners") as shown on the records of the Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date (the "Record Date"). The Bonds are fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

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

See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on inside cover.

The proceeds from sale of the Bonds, plus certain other lawfully available funds of the District, will be applied to refund certain outstanding bonds of the District. See "PLAN OF FINANCING – Use and Distribution of Bond Proceeds." The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS – Source of Payment." The Bonds are subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

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



The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed on for the Underwriter by Coats Rose, P.C., Houston, Texas, as Underwriter's Counsel. Delivery of the Bonds is expected on or about February 19, 2021.

SAMCO CAPITAL

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2022	\$245,000	3.000%	0.250%	171840 PN5	2026	\$120,000	3.000%	0.650%	171840 PS4
2023	250,000	3.000%	0.350%	171840 PP0	2027	125,000	3.000%	0.800%	171840 PT2
2024	255,000	3.000%	0.400%	171840 PQ8	2028	130,000	3.000%	0.950%	171840 PU9
2025	120,000	3.000%	0.550%	171840 PR6					

\$275,000 Term Bonds Due March 1, 2030 (c) (d), Interest Rate: 2.000% (Price: \$105.172) (a), CUSIP No. 171840 PV7 (b)

\$285,000 Term Bonds Due March 1, 2032 (c) (d), Interest Rate: 2.000% (Price: \$104.347) (a), CUSIP No. 171840 PW5 (b)

\$295,000 Term Bonds Due March 1, 2034 (c) (d), Interest Rate: 2.000% (Price: \$103.325) (a), CUSIP No. 171840 PX3 (b)

\$300,000 Term Bonds Due March 1, 2036 (c) (d), Interest Rate: 2.000% (Price: \$102.449) (a), CUSIP No. 171840 PY1 (b)

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- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield or price indicated above represents the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from February 1, 2021, is to be added to the price.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Service, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on March 1, 2029, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on March 1, 2028, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption as more fully described herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, resolutions, orders, contracts, audits, 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 Bond Counsel, for further information.

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

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. 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 such information actually comes to its attention, the other matters described in this Official Statement, until delivery of the Bonds to the Underwriter and thereafter only as specified in "OFFICIAL STATEMENT - Updating of Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

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."

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INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Cimarron Municipal Utility District of Harris County, Texas (the "District") of its \$2,400,000 Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds").

The Bonds are issued pursuant to a resolution ("Bond Resolution") adopted by the Board of Directors of the District, and pursuant to the Constitution and general laws of the State of Texas, particularly Chapters 49 and 54, as amended, and Chapter 1207, Texas Government Code, and an election held within the District and passed by a majority of the participating voters.

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument.

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

SAMCO Capital Markets, Inc. (referred to herein as the "Underwriter") has agreed to purchase the Bonds from the District for \$2,518,038.85 (being the par amount of the Bonds, plus original issue premium on the Bonds of \$144,001.85, and less an underwriter's discount of \$25,963.00), plus accrued interest on the Bonds to the date of delivery. The Underwriter's obligation is to purchase all of the Bonds, if any Bonds are purchased.

Prices and Marketability

The District has no control over the reoffering yields or prices of the Bonds or 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 prices of the Bonds may be greater than the difference between the bid and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

The prices and other terms 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 THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

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 an appendix to this Official Statement.

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

On 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);
- (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); and
- (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 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 this heading "MUNICIPAL BOND INSURANCE."

RATINGS

The Bonds received an insured rating of “AA” from S&P solely in reliance upon the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols “AAA” (the highest rating) through “D” (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

The Bonds received an insured rating of “A2” from Moody’s solely in reliance upon the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Bonds. Moody’s has also assigned an underlying credit rating of “A1” to the Bonds. An explanation of the ratings may be obtained from Moody’s, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. A security rating is not a recommendation to buy, sell, or hold securities. Furthermore, there is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by Moody’s, if, in its judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned to the Bonds other than the insured rating of S&P, the insured rating of Moody’s, or the underlying rating of Moody’s.

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- The IssuerCimarron Municipal Utility District of Harris County, Texas (the “District”), a political subdivision of the State of Texas, is located in Harris County, Texas, and Fort Bend County, Texas. See “THE DISTRICT.”
- The IssueThe District’s \$2,400,000 Unlimited Tax Refunding Bonds, Series 2021 (the “Bonds”), are dated February 1, 2021. Interest accrues from February 1, 2021, at the rates set forth on the inside cover page hereof, and is payable September 1, 2021, and each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. The Bonds maturing on or after March 1, 2029, are subject to redemption, in whole or from time to time in part, on March 1, 2028, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See “THE BONDS – Redemption of the Bonds – *Optional Redemption.*” The Bonds that mature on March 1 in the years 2030, 2032, 3034, and 2036 are term bonds that are also subject mandatory redemption as described herein under “THE BONDS – Redemption of the Bonds – *Mandatory Redemption.*”
- Source of PaymentThe Bonds are payable from a continuing, direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Houston, Texas, Harris County, Texas, Fort Bend County, Texas, the State of Texas, or any entity other than the District. See “THE BONDS – Source of Payment.”
- Remaining Outstanding Bonds.....The District has previously issued the following eighteen (18) series of bonds: \$2,380,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1977; \$3,290,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1980; \$8,900,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1985; \$11,985,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1991; \$9,905,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1993; \$5,430,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1996; \$7,330,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2003; \$4,040,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2005; \$4,670,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2006; \$4,450,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2007; \$5,130,000 Waterworks and Sewer System Combination

Unlimited Tax and Revenue Bonds, Series 2010 (the “Series 2010 Bonds”); \$10,525,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011; \$2,630,000 Unlimited Tax Bonds, Series 2013 (the “Series 2013 Bonds”); \$6,585,000 Unlimited Tax Refunding Bonds, Series 2014; \$5,790,000 Unlimited Tax Bonds, Series 2015; \$4,155,000 Unlimited Tax Refunding Bonds, Series 2017; \$1,215,000 Unlimited Tax Bonds, Series 2017; and \$9,655,000 Unlimited Tax Refunding Bonds, Series 2019. After sale of the Bonds and refunding of the Refunded Bonds (defined below), a total of \$24,310,000 principal amount of such previously issued series bonds will remain outstanding (the “Remaining Outstanding Bonds”).

- Use of Proceeds Proceeds from sale of the Bonds, plus certain other lawfully available funds of the District, will be used to refund \$2,495,000 of the principal amount of the Series 2010 Bonds and the Series 2013 Bonds (the “Refunded Bonds”). The sale of the Bonds and the refunding of the Refunded Bonds will result in an annual and net present value savings in the District’s current annual debt service requirements. See “PLAN OF FINANCING.”
- Payment Record..... The District has never defaulted on the timely payment of principal or interest on its bonded indebtedness. See “THE BONDS – Source of Payment.”
- Authority for Issuance..... The Bonds constitute the ninth series of bonds issued by the District for refunding purposes. Voters in the District have authorized a total of \$6,000,000 principal amount of refunding bonds; \$10,000,000 principal amount of unlimited tax bonds, and \$40,670,000 principal amount of combination unlimited tax and revenue bonds. Following the issuance of the Bonds, \$16,571 principal amount of refunding bonds, \$365,000 principal amount of unlimited tax and refunding bonds, and \$1,325,000 principal amount of combination unlimited tax and revenue bonds will remain authorized and unissued. The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Source of Payment.”
- Municipal Bond Insurance Assured Guaranty Municipal Corp. (“AGM”). See “MUNICIPAL BOND INSURANCE.”
- Ratings..... S&P (AGM Insured): “AA.” Moody’s (AGM Insured): “A2.” Moody’s (Underlying): “A1.” See “RATINGS” above.
- Legal Opinion Allen Boone Humphries Robinson LLP, Houston, Texas. See “LEGAL MATTERS.”
- Financial Advisor Robert W. Baird & Co. Incorporated, Houston, Texas.
- Underwriter’s Counsel Coats Rose, P.C., Houston, Texas.
- Verification Agent Robert Thomas CPA, LLC, Minneapolis, Minnesota.
- Paying Agent & Escrow Agent Regions Bank, Houston, Texas.

THE DISTRICT

Description.....Cimarron Municipal Utility District of Harris County, Texas, a political subdivision of the State of Texas was created by the Texas Water Rights Commission, predecessor to the Texas Commission on Environmental Quality (the "TCEQ"), in 1976 and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District is located within Harris and Fort Bend Counties, and the extraterritorial jurisdiction of the City of Houston, and is approximately 24 miles west of downtown Houston. The District has frontage on Interstate Highway 10 (Katy Freeway) and is accessible off Interstate Highway 10, the Grand Parkway, Peek Road, and Kingsland Boulevard. The District is located within the boundaries of the Katy Independent School District. The District contains approximately 1,060 acres. See "THE DISTRICT - Description."

Development within the District.....Approximately 366 acres within the District have been developed as the single-family residential subdivisions of Cimarron, Sections 7-9, Governor's Place, Sections 1-4, Heritage Square, Sections 1 and 2, and Cascade Creek. As of November 3, 2020, single-family residential development within the District consisted of approximately 1,477 completed and occupied homes, approximately 12 completed and unoccupied homes, and no homes under construction. An additional 573 acres have been developed for commercial and multi-family use. Commercial and multi-family properties in the District include, but are not limited to, the following: three car dealerships; a sporting goods store; a tire and automotive service center; multiple banks and credit unions; a garden and plant center; gas stations; a brake and automotive service center; a paint store; a pharmacy; a clothing apparel and accessory store; a furniture store; approximately 34 mixed use office/retail/medical buildings totaling approximately 580,000 square feet; a Costco wholesale store consisting of approximately 148,000 square feet; a nursing home; a day care center; a funeral home; approximately 10 restaurants; a hotel with approximately 143 rooms; a motel with approximately 45 rooms; an elementary school; a church; a 40-room rehabilitation hospital; and multiple office condominium complexes consisting of approximately 67 buildings with a total of approximately 225,000 square feet of office space. Additionally, there are approximately 13 apartment complexes that include a total of over 4,400 units. The balance of the District consists of 121 acres for the Grand Parkway and other streets and drainage rights-of-way. The District is fully developed with utilities. See "CURRENT STATUS OF DEVELOPMENT IN THE DISTRICT."

INFECTIOUS DISEASE OUTLOOK (COVID-19)

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 the State of Texas (the "State"). 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 State Governor (the “Governor”) declared COVID-19 an imminent threat of disaster for all counties in the State (collectively, the “disaster declarations”). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State.

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

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 operations and maintenance expenses payable from ad valorem taxes.

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

INVESTMENT CONSIDERATIONS

THE DISTRICT’S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON.

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED “INVESTMENT CONSIDERATIONS,” BEFORE MAKING AN INVESTMENT DECISION.

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2020 Taxable Assessed Valuation.....	\$1,052,903,822 (a)
Direct Debt	
The Remaining Outstanding Bonds.....	\$ 24,310,000
The Bonds	<u>\$ 2,400,000</u>
Total.....	\$ 26,710,000
Estimated Overlapping Debt.....	<u>\$ 50,434,250 (b)</u>
Total Direct and Estimated Overlapping Debt	\$ 77,144,250
Debt Service Fund Balance (as of November 18, 2020).....	\$1,542,467 (c)
General Fund Balance (as of November 18, 2020).....	\$5,784,989
Capital Projects Fund Balance (as of November 18, 2020)	\$120,596
2020 Tax Rate per \$100 of Taxable Assessed Valuation	
Debt Service	\$0.200
Maintenance.....	<u>\$0.165</u>
Total.....	\$0.365
Direct Debt Ratio:	
As a percentage of 2020 Taxable Assessed Valuation.....	2.54 %
Direct and Estimated Overlapping Debt Ratio:	
As a percentage of 2020 Taxable Assessed Valuation.....	7.33 %
Average Annual Debt Service Requirement (2021–2036)	\$2,174,259 (d)
Maximum Annual Debt Service Requirement (2036).....	\$2,281,425 (d)
Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay	
Average Annual Debt Service Requirement (2021–2036) at 95% Tax Collections	
Based Upon 2020 Taxable Assessed Valuation.....	\$0.22
Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay	
Maximum Annual Debt Service Requirement (2036) at 95% Tax Collections	
Based Upon 2020 Taxable Assessed Valuation.....	\$0.23

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- (a) As certified by the Harris County Appraisal District and Fort Bend Central Appraisal District, collectively referred to the "Appraisal Districts." See "TAX DATA" and "TAXING PROCEDURES."
- (b) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
- (c) Neither Texas Law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund.
- (d) Requirement of debt service on the Remaining Outstanding Bonds and the Bonds.

INTRODUCTION

This Official Statement of Cimarron Municipal Utility District of Harris County, Texas (the “District”) is provided to furnish information with respect to the issuance by the District of its \$2,400,000 Unlimited Tax Refunding Bonds, Series 2021 (the “Bonds”).

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code and Chapter 1207 of the Texas Government Code, (ii) an election held within the District, (iii) a resolution (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”), and (iv) the City of Houston Ordinance No. 97-416 (the “Ordinance”).

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

THE BONDS

General

The Bonds are dated February 1, 2021, with interest payable September 1, 2021, and each March 1 and September 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. The Bonds are fully-registered bonds maturing on March 1 of the years shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the inside cover page of this Official Statement.

Principal of the Bonds will be payable to the registered owners (the “Registered Owners”) at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, Regions Bank, Houston, Texas, an Alabama banking corporation, (the “Registrar” or “Paying Agent”). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent to Registered Owners as shown on the records of the Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the “Record Date”) or by such other customary banking arrangements as may be agreed upon by the Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC. If however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities

certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

Redemption proceeds, distributions, and dividend 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, Paying Agent or District,

subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, 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.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to Tender/Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records to Tender/Remarketing Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to Tender/Remarketing Agent's DTC account.

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

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

The information in the 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.

Successor Paying Agent/Registrar

Provision is made in the Bond Resolution for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Registration, Transfer and Exchange

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Registrar upon surrender at the corporate trust office of the Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Bondholder. The Bonds are exchangeable upon presentation at the designated office(s) of the Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Bondholder or assignee of the Bondholder within not more than three (3) business days after the receipt by the Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Redemption of the Bonds

Optional Redemption

Bonds maturing on March 1, 2029, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on March 1, 2028, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Registrar prior to the redemption date by such random method as the Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The Bonds that mature on March 1 of the years 2030, 2032, 2034, and 2036 ("Term Bonds") are also subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on March 1 in the years set out below ("Mandatory Redemption Dates") and in the amounts set forth below, subject to proportionate reductions as described below, at a redemption price of par plus accrued interest to the date of redemption:

\$275,000 Term Bonds Maturing on March 1, 2030	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2029	\$135,000
March 1, 2030 (Maturity)	\$140,000

\$285,000 Term Bonds Maturing on March 1, 2032	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2031	\$140,000
March 1, 2032 (Maturity)	\$145,000

\$295,000 Term Bonds Maturing on March 1, 2034	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2033	\$145,000
March 1, 2034 (Maturity)	\$150,000

\$300,000 Term Bonds Maturing on March 1, 2036	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2035	\$150,000
March 1, 2036 (Maturity)	\$150,000

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the direction of the District, by the principal amount of any Term Bonds which, at least 50 days prior to a Mandatory Redemption Date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation,

(2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the District with monies in the Debt Service Fund at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Authority for Issuance

The Bonds constitute the ninth series of bonds issued by the District for refunding purposes. Voters in the District have authorized a total of \$6,000,000 principal amount of refunding bonds; \$10,000,000 principal amount of unlimited tax and refunding bonds, and \$40,670,000 principal amount of combination unlimited tax and revenue bonds. Following the issuance of the Bonds, \$16,571 principal amount of refunding bonds, \$365,000 principal amount of unlimited tax and refunding bonds, and \$1,325,000 principal amount of combination unlimited tax and revenue bonds will remain authorized and unissued. The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of Payment."

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code and Chapter 1207 of the Texas Government Code, (ii) an election held within the District, (iii) the Bond Resolution, and (iv) the Ordinance.

Source of Payment

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

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

Annexation and Consolidation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, under legislation effective December 1, 2017, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. See "THE DISTRICT – Strategic Partnership Agreement," below, for a description of the terms of the Strategic Partnership Agreement between the City and the District.

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

In 2003, the District entered into a "strategic partnership agreement" (the "SPA") with the City. Under the SPA, the City annexed certain commercial areas of the District for limited purposes of applying certain City planning, zoning, health and safety ordinances in the area annexed for limited purposes. The City imposes its one percent (1%) sales tax in the areas annexed for limited purposes. In the SPA, the City has agreed to rebate to the District one-half (1/2) of all sales tax revenues collected by the City in the area annexed for limited purposes. In addition, the City has agreed that it will not annex the District for full purposes (a traditional annexation) for thirty years from the effective date of the SPA.

Issuance of Additional Debt

The District may issue additional bonds with the approval of the Texas Commission on Environmental Quality ("TCEQ"), necessary to provide improvements and facilities consistent with the purposes for which the District was created. Voters in the District have authorized a total of \$10,000,000 principal amount of unlimited tax bonds, \$40,670,000 principal amount of combination unlimited tax and revenue bonds, and \$6,000,000 principal amount of refunding bonds.

The Bonds constitute the ninth series of bonds issued by the District for refunding purposes. Voters in the District have authorized a total of \$6,000,000 principal amount of refunding bonds; \$10,000,000 principal amount of unlimited tax bonds, and \$40,670,000 principal amount of combination unlimited tax and revenue bonds. Following the issuance of the Bonds, \$16,571 principal amount of refunding bonds, \$365,000 principal amount of unlimited tax and refunding bonds, and \$1,325,000 principal amount of combination unlimited tax and revenue bonds will remain authorized and unissued.

The District may issue bonds pursuant to its existing voter authorization necessary to finance additional improvements and facilities for which the District was created, with approval of the TCEQ. Additional tax or tax and revenue bonds may be voted in the future. The Board is further empowered to borrow money, under limited circumstances, for its lawful corporate purpose and to issue revenue notes, bond anticipation notes, or tax anticipation notes. See "INVESTMENT CONSIDERATIONS – Future Debt."

The District also is authorized by law to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue such bonds, the following actions would be required: (1) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (2) amendment of the existing City ordinance specifying the purposes for which the District may issue bonds; (3) approval of master plan and bonds by the TCEQ; and (4) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes. The District has no information concerning any determination by the City concerning modification of its ordinance. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt property ratios and might adversely affect the investment security of the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park project and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

The Bond Resolution imposes no limitation on the amount of additional bonds that may be issued by the District. Any additional bonds issued by the District would be on a parity with the Bonds.

No Arbitrage

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

Defeasance

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

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is an excerpt 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.

Registered Owners' Remedies

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

In the event of default in the payment of principal of or interest on the Outstanding Bonds and the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Outstanding Bonds and the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Outstanding Bonds and the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

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PLAN OF FINANCING

Use and Distribution of Bond Proceeds

Proceeds from sale of the Bonds, plus certain other lawfully available funds of the District, will be used to refund \$2,495,000 principal amount (the “Refunded Bonds”) of the District’s \$5,130,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2010 (the “Series 2010 Bonds”), and \$2,630,000 Unlimited Tax Bonds, Series 2013 (the “Series 2013 Bonds”). The sale of the Bonds and the refunding of the Refunded Bonds will result in an annual and net present value savings in the District’s current annual debt service requirements.

The Refunded Bonds

The principal amounts and maturity dates of the Refunded Bonds are set forth as follows:

Series 2010 Bonds		Series 2013 Bonds	
Principal Amount	Maturity Date	Principal Amount	Maturity Date
\$135,000	03/01/2022	\$105,000	03/01/2022
135,000	03/01/2023	110,000	03/01/2023
<u>135,000</u>	03/01/2024	115,000	03/01/2024
\$405,000		115,000	03/01/2025
		120,000	03/01/2026
Redemption Date: 02/19/2021		125,000	03/01/2027
		130,000	03/01/2028
		135,000	03/01/2029
		145,000	03/01/2030
		150,000	03/01/2031
		155,000	03/01/2032
		160,000	03/01/2033
		170,000	03/01/2034
		175,000	03/01/2035
		<u>180,000</u>	03/01/2036
		\$2,090,000	
		Redemption Date: 03/01/2021	

Remaining Outstanding Bonds

The District has previously issued the following eighteen (18) series of bonds: \$2,380,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1977; \$3,290,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1980; \$8,900,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1985; \$11,985,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1991; \$9,905,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1993; \$5,430,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1996; \$7,330,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2003; \$4,040,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2005; \$4,670,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2006; \$4,450,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2007; \$5,130,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2010 (defined above); \$10,525,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011; \$2,630,000 Unlimited Tax Bonds, Series 2013 (defined above); \$6,585,000 Unlimited Tax Refunding Bonds, Series 2014 (the “Series 2014 Ref Bonds”); \$5,790,000 Unlimited Tax Bonds, Series 2015 (the “Series 2015 Bonds”); \$4,155,000 Unlimited Tax Refunding Bonds, Series 2017 (the “Series 2017 Ref Bonds”); \$1,215,000 Unlimited Tax Bonds, Series 2017

(the “Series 2017 Bonds”); and \$9,655,000 Unlimited Tax Refunding Bonds, Series 2019 (the “Series 2019 Ref Bonds”).

After the issuance of the Bonds, \$24,310,000 in principal amount will remain outstanding on the Series 2010 Bonds, the Series 2013 Bonds, the Series 2014 Ref Bonds, the Series 2015 Bonds, the Series 2017 Ref Bonds, the Series 2017 Bonds, and the Series 2019 Ref Bonds (the “Remaining Outstanding Bonds”) as follows:

	Original Principal Amount	Principal Currently Outstanding	Less: Refunded Bonds	Remaining Outstanding Bonds
Series 2010 Bonds	\$5,130,000	\$535,000	(\$405,000)	\$130,000
Series 2013 Bonds	2,630,000	2,190,000	(2,090,000)	100,000
Series 2014 Ref Bonds	6,585,000	4,465,000	-0-	4,465,000
Series 2015 Bonds	5,790,000	4,840,000	-0-	4,840,000
Series 2017 Ref Bonds	4,155,000	4,070,000	-0-	4,070,000
Series 2017 Bonds	1,215,000	1,060,000	-0-	1,060,000
Series 2019 Ref Bonds	9,655,000	9,645,000	-0-	9,645,000
	<u>\$35,160,000</u>	<u>\$26,805,000</u>	<u>(\$2,495,000)</u>	<u>\$24,310,000</u>

Sources and Uses of Funds

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

SOURCES OF FUNDS:

Principal Amount of the Bonds	\$2,400,000.00
Premium on the Bonds	144,001.85
Accrued Interest on the Bonds	3,022.50
Debt Service Fund Transfer	<u>35,000.00</u>
Total Sources of Funds	\$2,582,024.35

USES OF FUNDS:

Deposit to Escrow Agent	\$2,543,068.13
Deposit of Accrued Interest to Debt Service Fund	3,022.50
Insurance Premium and Underwriter’s Discount	34,698.08
Additional Proceeds	<u>1,235.64</u>
Total Uses of Funds	\$2,582,024.35

Escrow Agreement

The District will enter into an escrow agreement (the “Escrow Agreement”) with Regions Bank (the “Escrow Agent”), pursuant to which a portion of the proceeds of the Bonds, along with cash, will be deposited in an escrow fund (the “Escrow Fund”) and applied to provide for scheduled payment of principal of and interest on the Refunded Bonds until their maturity or prior redemption and to provide for payment of the redemption price of the Refunded Bonds on the redemption date. At the time of delivery of the Bonds, Robert Thomas CPA, LLC, will verify to the District, the Escrow Agent and the Underwriter that the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Pursuant to the Escrow Agreement, the Escrow Fund is irrevocably pledged for the payment of principal of and interest on the Refunded Bonds.

By the deposit of proceeds of 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 resolutions authorizing the issuance of the Refunded Bonds. In the opinion of Allen Boone Humphries Robinson LLP, 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 to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefore in such Escrow Agreement.

THE DISTRICT

Authority

The District is a municipal utility district created by an order of the Texas Water Rights Commission, now the Texas Commission on Environmental Quality, on February 9, 1976. The creation of the District was confirmed at an election held within the District on January 15, 1977, by a vote of six (6) for to none (0) against. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code. The principal functions of the District are to finance, construct, own, and operate waterworks, wastewater, and drainage facilities and to provide such facilities and services to the customers of the District. The District, if approved by the voters within the District, the TCEQ, and other governmental entities having jurisdiction, may establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. The District is subject to the continuing supervision of the TCEQ in certain matters.

Description

The District is located in west Harris County, approximately 24 miles from Houston's central business district and is wholly within the exclusive extraterritorial jurisdiction of the City. A small portion of the District lies within Fort Bend County. The District's original size was approximately 363 acres; three subsequent annexations have increased its size to approximately 1,060 acres. The District is accessible off Interstate Highway 10, the Grand Parkway, Peek Road, and Kingsland Boulevard. The District is located within the Katy Independent School District.

Management of the District

The District is governed by a board of five (5) directors which has control and management supervision over all affairs of the District. The members of the board of directors are elected to their offices. One of the members of the Board owns property and four members reside within the boundaries of the District.

All directors serve four-year staggered terms and all elections are held in even-numbered years. The present members and officers of the Board are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires May</u>
Richard May	President	2024
David F. Jones	Vice President	2022
David Aitken	Secretary	2024
John Linn	Assistant Secretary	2024
Gary Russell	Assistant Vice President	2022

Investment Policy

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation ("FDIC") and secured by collateral authorized by the Act, and in TexPool and Texas Class, which are 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 portfolio.

Management and Contract Services

The District does not have any full-time employees; however, the District contracts for management and administrative services, tax collecting, bookkeeping, facilities repair and maintenance, legal, financial advisory, auditing and other professional services as follows:

Bookkeeper: The District has engaged Municipal Accounts & Consulting, LP, as the District's Bookkeeper.

Tax Assessor/Collector: The District has engaged Bob Leared Interests Inc., Houston, Texas ("Tax Assessor/Collector"), as the District's Tax Assessor/Collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Appraisal Districts and bills and collects such levy.

Utility System Operator: The District's current operator is Si Environmental, LLC. Such firm acts as operator for approximately 40 utility districts.

Engineer: The District has engaged the firm of Vogler and Spencer Engineering, Inc., Houston, Texas, (the "District's Engineer") as the District's consulting engineer.

Auditing: The firm of McGrath & Co., PLLC, Certified Public Accountants, prepared the annual audit for the District for the fiscal year ended February 29, 2020. See "APPENDIX A."

Financial Advisor: The District has engaged Robert W. Baird & Co. Incorporated as financial advisor (the "Financial Advisor") to the District. The fees to be paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

Legal Counsel: Allen Boone Humphries Robinson LLP, Houston, Texas, serves as Bond Counsel to the District, and also represents the District on certain other matters of a general legal nature. The fees for Bond Counsel for bond-related services are contingent on the issuance, sale, and delivery of the Bonds.

Special Consultant Related to Issuance of the Bonds

Verification Agent: At the time of delivery of the Bonds, Robert Thomas CPA, LLC, Certified Public Accountants, will verify to the District, Bond Counsel, Escrow Agent, and the Underwriter certain matters related to the issuance of the Bonds and the refunding of the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

Strategic Partnership Agreement

Effective April 10, 2003, the District and the City of Houston (the "City"), entered into a Strategic Partnership Agreement ("SPA" or the "Agreement"), under which the City annexed certain commercial areas of the District for limited purposes of applying certain City planning, zoning, health and safety ordinances in the area annexed for limited purposes. The City imposes its one percent (1%) sales tax in the areas annexed for limited purposes. In the SPA, the City has agreed to rebate to the District one-half (1/2) of all sales tax revenues collected by the City in the area annexed for limited purposes. In addition, the City has agreed that it will not annex the District for full purposes (a traditional annexation) for thirty years from the effective date of the Agreement. In fiscal year 2020, the District received \$853,205 in revenues pursuant to the Agreement.

CURRENT STATUS OF DEVELOPMENT IN THE DISTRICT

Status of Development

Approximately 366 acres within the District have been developed as the single-family residential subdivisions of Cimarron, Sections 7-9, Governor's Place, Sections 1-4, Heritage Square, Sections 1 and 2, and Cascade Creek. As of November 3, 2020, single-family residential development within the District consisted of approximately 1,477 completed and occupied homes, approximately 12 completed and unoccupied homes, and no homes under construction. An additional 573 acres have been developed for commercial and multi-

family use. Commercial and multi-family properties in the District include, but are not limited to, the following: three car dealerships; a sporting goods store; a tire and automotive service center; multiple banks and credit unions; a garden and plant center; gas stations; a brake and automotive service center; a paint store; a pharmacy; a clothing apparel and accessory store; a furniture store; approximately 34 mixed use office/retail/medical buildings totaling approximately 580,000 square feet; a Costco wholesale store consisting of approximately 148,000 square feet; a nursing home; a day care center; a funeral home; approximately 10 restaurants; a hotel with approximately 143 rooms; a motel with approximately 45 rooms; an elementary school; a church; a 40-room rehabilitation hospital; and multiple office condominium complexes consisting of approximately 67 buildings with a total of approximately 225,000 square feet of office space. Additionally, there are approximately 13 apartment complexes that include a total of over 4,400 units. The balance of the District consists of 121 acres for the Grand Parkway and other streets and drainage rights-of-way. The District is fully developed with utilities.

DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements of the Remaining Outstanding Bonds and the principal and interest requirements of the Bonds.

Calendar Year	Outstanding Debt Service	Less: Refunded Debt Service	Plus: The Bonds		Total Debt Service
			Principal	Interest	
2021	\$2,121,387	\$97,081	-	\$35,263	\$2,059,569
2022	2,135,323	332,881	\$245,000	56,775	2,104,217
2023	2,135,658	329,394	250,000	49,350	2,105,615
2024	2,147,519	325,731	255,000	41,775	2,118,563
2025	2,163,010	184,344	120,000	36,150	2,134,816
2026	2,167,711	185,231	120,000	32,550	2,135,030
2027	2,166,334	185,944	125,000	28,875	2,134,265
2028	2,177,973	186,156	130,000	25,050	2,146,867
2029	2,192,410	185,856	135,000	21,750	2,163,303
2030	2,209,568	190,256	140,000	19,000	2,178,312
2031	2,209,376	189,356	140,000	16,200	2,176,220
2032	2,259,838	188,063	145,000	13,350	2,230,125
2033	2,275,209	186,369	145,000	10,450	2,244,291
2034	2,291,813	189,250	150,000	7,500	2,260,063
2035	2,299,672	186,703	150,000	4,500	2,267,469
2036	<u>2,313,863</u>	<u>183,938</u>	<u>150,000</u>	<u>1,500</u>	<u>2,281,425</u>
Total	\$35,266,661	\$3,326,553	\$2,400,000	\$400,038	\$34,740,146

Average Annual Debt Service Requirement (2021-2036)\$2,174,259
 Maximum Annual Debt Service Requirement (2036).....\$2,281,425

Bonded Indebtedness

2020 Taxable Assessed Valuation.....	\$1,052,903,822 (a)
Direct Debt	
The Remaining Outstanding Bonds	\$ 24,310,000
The Bonds	<u>\$ 2,400,000</u>
Total.....	\$ 26,710,000
Estimated Overlapping Debt	<u>\$ 50,434,250</u> (b)
Total Direct and Estimated Overlapping Debt	\$ 77,144,250
Debt Service Fund Balance (as of November 18, 2020).....	\$1,542,467 (c)
General Fund Balance (as of November 18, 2020).....	\$5,784,989
Capital Projects Fund Balance (as of November 18, 2020)	\$120,596
2020 Tax Rate per \$100 of Taxable Assessed Valuation	
Debt Service	\$0.200
Maintenance.....	<u>\$0.165</u>
Total.....	\$0.365
Direct Debt Ratio:	
As a percentage of 2020 Taxable Assessed Valuation.....	2.54 %
Direct and Estimated Overlapping Debt Ratio:	
As a percentage of 2020 Taxable Assessed Valuation.....	7.33 %
Average Annual Debt Service Requirement (2021-2036)	\$2,174,259 (d)
Maximum Annual Debt Service Requirement (2036).....	\$2,281,425 (d)
Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay	
Average Annual Debt Service Requirement (2021-2036) at 95% Tax Collections	
Based Upon 2020 Taxable Assessed Valuation.....	\$0.22
Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay	
Maximum Annual Debt Service Requirement (2036) at 95% Tax Collections	
Based Upon 2020 Taxable Assessed Valuation.....	\$0.23

(a) As certified by the Harris County Appraisal District and Fort Bend Central Appraisal District, collectively referred to the "Appraisal Districts." See "TAX DATA" and "TAXING PROCEDURES."

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

(c) Neither Texas Law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund.

(d) Requirement of debt service on the Remaining Outstanding Bonds and the Bonds.

Estimated Direct and Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt November 30, 2020	Overlapping	
		Percent	Amount
Harris County	\$ 1,743,427,125	0.20%	\$ 3,519,489
Harris County Department of Education	20,185,000	0.20	40,266
Harris County Flood Control District	334,270,000	0.21	688,546
Harris County Hospital District	86,050,000	0.21	177,212
Port of Houston Authority	492,439,397	0.21	1,014,424
Fort Bend County	630,229,310	0.07	418,770
Katy Independent School District	1,888,706,959	2.36	<u>44,575,542</u>
Total Estimated Overlapping Debt			\$ 50,434,250
The District (a).....			<u>\$ 26,710,000</u>
Total Direct & Estimated Overlapping Debt (a).....			\$ 77,144,250

(a) Includes the Bonds.

Debt Ratios

Direct Debt Ratio:		
As a percentage of the 2020 Taxable Assessed Valuation.....		2.54 %
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of the 2020 Taxable Assessed Valuation.....		7.33 %

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal Districts

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Harris County Appraisal District and the Fort Bend Central Appraisal District (collectively, the "Appraisal Districts") have the responsibility of appraising property for all taxing units within Harris and Fort Bend Counties respectively, including the District. Such appraisal values will be subject to review and change by the Harris County Appraisal Review Board and Fort Bend Central Appraisal Review Board (collectively, the "Appraisal Review Boards").

Property Subject to Taxation by the District

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

forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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

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

Freeport Goods and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Harris County, Fort Bend County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City of Houston (after annexation of the land within the District,) Harris County, Fort Bend County, and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition

that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. Currently, no part of the District has been designated as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal Districts at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Boards, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

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

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

When requested by a local taxing unit, such as the District, the Appraisal Districts are required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property.

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 Districts are 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 Boards by filing a timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal Districts to compel compliance with the Property Tax Code.

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

A determination as to the District's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board on an annual basis. For the 2020 tax year, the Board determined that the District's status was that of 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 as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to

other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (see "TAXING PROCEDURES"). In the Bond Resolution, the Board has covenanted to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see "THE BONDS" and "INVESTMENT CONSIDERATIONS"). For the 2020 tax year, the District levied a debt service tax of \$0.200 per \$100 of assessed valuation and a maintenance tax of \$0.165 per \$100 of assessed valuation.

Exemptions

For the 2020 tax year, the District adopted an exemption from ad valorem taxation of \$20,000 of the appraised value of residence homesteads of individuals who are disabled or are sixty-five (65) years of age or older. For the 2020 tax year, the District also adopted a general residential homestead exemption of 20% of the appraised value of residence homesteads in the District. See "TAXING PROCEDURES."

Tax Rate Limitation

Debt Service: Unlimited (no legal limit as to rate or amount).
 Maintenance: \$0.25 per \$100 Assessed Taxable Valuation.

Maintenance Tax

The Board of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The District's voters have authorized the levy of such maintenance tax in an amount not to exceed \$0.25 per \$100 of assessed valuation.

Additional Penalties

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

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation which would be required to meet certain debt service requirements on the Remaining Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the 2020 Taxable Assessed Valuation (\$1,052,903,822). The calculations assume collection of 95% of taxes levied, the sale of the Bonds, and the refunding of the Refunded Bonds.

Average Annual Debt Service Requirement (2021-2036)	\$2,174,259
Tax Rate of \$0.22 on the 2020 Taxable Assessed Valuation produces	\$2,200,569
Maximum Annual Debt Service Requirement (2036).....	\$2,281,425
Tax Rate of \$0.23 on the 2020 Taxable Assessed Valuation produces	\$2,300,595

Estimated Overlapping Taxes

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

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2020 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

Taxing Jurisdiction	Harris County 2020 Tax Rates	Fort Bend County 2020 Tax Rates
The District	\$0.365000	\$0.365000
Harris County	0.391160	--
Harris County Flood Control District	0.031420	--
Port of Houston Authority	0.009910	--
Harris County Hospital District	0.166710	--
Harris County Department of Education	0.004993	--
Harris County Emergency Services District No. 48	0.099394	--
Fort Bend County	--	0.435876
Fort Bend County Drainage District	--	0.017331
Fort Bend County Emergency Services District No. 2	--	0.100000
Katy Independent School District	<u>1.388800</u>	<u>1.388800</u>
Total	\$2.457387	\$2.307007

Historical Tax Collections

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 9/30	Collections 10/31/20
2014	\$532,800,587	\$0.5700	\$3,036,963	99.51%	2015	99.95%
2015	672,237,392	0.4200	2,823,397	99.03	2016	99.91
2016	792,201,530	0.3850	3,049,976	99.07	2017	99.87
2017	866,706,540	0.3650	3,163,479	99.16	2018	99.86
2018	905,619,277	0.3650	3,305,510	99.24	2019	99.76
2019	937,059,733	0.3650	3,420,268	99.61	2020	99.61
2020	1,052,903,822	0.3650	3,843,099	(b)	2021	(b)

(a) See "Tax Rate Distribution" below

(b) In process of collection.

Tax Rate Distribution

	2020	2019	2018	2017	2016
Debt Service	\$0.2000	\$0.2250	\$0.2550	\$0.2550	\$0.2950
Maintenance and Operations	<u>\$0.1650</u>	<u>\$0.1400</u>	<u>\$0.1100</u>	<u>\$0.1100</u>	<u>\$0.0900</u>
Total	\$0.3650	\$0.3650	\$0.3650	\$0.3650	\$0.3850

Assessed Taxable Valuation Summary

The following represents the type of property comprising the 2016–2020 tax rolls as certified by the Appraisal Districts.

Type of Property	2020 Taxable Assessed Valuation	2019 Taxable Assessed Valuation	2018 Taxable Assessed Valuation	2017 Taxable Assessed Valuation	2016 Taxable Assessed Valuation
Land	\$314,461,479	\$310,525,282	\$284,717,427	\$290,556,294	\$272,623,890
Improvements	812,444,493	700,874,347	653,113,441	605,250,025	551,129,284
Personal Property	54,130,467	51,461,912	42,453,140	47,062,239	47,817,813
Exemptions	<u>(128,132,617)</u>	<u>(125,801,808)</u>	<u>(74,664,731)</u>	<u>(76,162,018)</u>	<u>(79,369,457)</u>
Total	\$1,052,903,822	\$937,059,733	\$905,619,277	\$866,706,540	\$792,201,530

Principal Taxpayers

The following are the principal taxpayers in the District as shown on the certified appraisal rolls for the 2020 tax year.

Taxpayer	Types of Property	Taxable Value 2020 Tax Roll
ELAN 99 West LP	Land & Improvements	\$57,642,682
WW Olympus Grand Crossing LP	Land & Improvements	54,796,970
CWS Reserve CS PV WB LLC	Land & Improvements	50,266,740
CH Realty VII MF Katy Sor	Land & Improvements	46,750,028
EGW Parkside Investment LLC	Land & Improvements	42,919,773
Price Broadstone LLC	Land & Improvements	38,833,452
OH SL LP	Land & Improvements	37,654,820
Edison	Land & Improvements	28,943,472
Costco Wholesale	Land, Improvements & Personal	25,824,683
OH Grand Crossing LP	Land & Improvements	<u>24,948,859</u>
Total		\$408,581,479

Percentage of District Value 38.81%

THE SYSTEM

Regulation

According to the Engineer, the water distribution and wastewater collection lines constructed by the District (the “System”) were designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City of Houston, and Harris County, Fort Bend County and the Harris County Flood Control District. According to the District’s Engineer, the design of all such facilities was approved by all required governmental agencies and inspected by the TCEQ. As such facilities were completed, they were conveyed to the District, which is responsible for the operation and maintenance of all water and wastewater facilities serving the areas within its boundaries.

Operation of the District’s waterworks and sewer treatment facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Subsidence and Conversion to Surface Water Supply

The District is within the boundaries of the Harris Galveston Subsidence District (the “Subsidence District”) which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District’s jurisdiction, including the area within the District. In 2001, the Texas legislature created the West Harris County Regional Water Authority (“Authority”) to, among other

things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County and a small portion of Fort Bend County. The District is not located within the boundaries of the Authority, but has entered into a contract to be included in the Authority's GRP (defined below). The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District's groundwater well(s) are included within the Authority's GRP.

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

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty effective January 1, 2019 ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

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

Description

Water Supply

The District's water is supplied by a 821 gallons per minute ("gpm") water well ("Water Well No. 1"), a 1,797 gpm water well ("Water Well No. 2"), a 1,289 gpm water well ("Water Well No. 3"), and related appurtenances. In addition to the water wells, the District water supply facilities consists of 6 pressure tanks totaling 110,000 gallons, 3 ground storage tanks totaling 1,598,000 gallons and 12 booster pumps totaling 14,850 gpm. The water supply facilities meet the minimum TCEQ requirements to serve 6,512 equivalent single-family connections ("esfcs"). The District has a cost sharing agreement with HFBMUD 3 for Water Plant No. 3 in which 34.96% of Water Plant No. 3's capacity is reserved for them. Cimarron MUD's share of the water supply facilities is sufficient to serve 5,761 equivalent single-family connections ("esfcs"). The District currently is serving approximately 3,647 esfcs. The District has emergency interconnects with Harris County

Municipal Utility District No. 81 (“HCMUD 81”), Cinco Municipal Utility District No. 1 (“Cinco MUD 1”), West Memorial Municipal Utility District (“West Memorial MUD”), and Harris-Fort Bend Counties Municipal Utility District No. 3 (“HFBMUD 3”).

Wastewater Treatment

The District owns capacity in a regional wastewater treatment plant (the “Plant”) that is operated by West Memorial MUD. The Plant has a capacity of 6.75 million gallons per day (“gpd”). The District owns 2,471,000 gpd in the Plant. According to the District’s engineer, the District owns sufficient capacity in the Plant to serve full development in the District.

Drainage

The majority of the District’s stormwater drains into an outfall channel which runs along the southern boundary of West Memorial MUD (which is the northern boundary of HCMUD 81) in an easterly direction to Mason Creek, thereby affording drainage to the District, HCMUD 81, Mason Creek Utility District and West Memorial MUD. A portion of the District drains to the Willow Fork drainage system within Fort Bend County. According to the District’s Engineer, the District’s pro rata share of the capacity in such drainage channels is sufficient to serve the ultimate development of all land presently located within the District; however, detention may be required for some portion of the development.

Operating History

The following is a summary of the District’s operating fund for the last five years. The information was obtained from the District’s annual financial reports, reference to which is hereby made. See “APPENDIX A.” The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

	Fiscal Year Ended				
	2/29/20	2/28/19	2/28/18	2/28/17	2/29/16
Revenues					
Water Service	\$626,240	\$584,069	\$588,522	\$578,926	\$571,751
Sewer service	967,426	941,124	949,228	932,590	879,263
Property taxes	1,294,132	978,763	944,956	696,109	534,724
Penalties and interest	59,374	46,559	43,041	53,734	40,445
Tap connection and inspection	507,134	377,337	306,535	184,467	266,009
City of Houston sales tax rebate	853,205	880,830	707,596	709,850	744,205
Regional Water Authority fees	1,240,787	943,948	863,847	758,006	721,371
Miscellaneous	68,177	22,562	27,195	12,775	13,478
Investment earnings	<u>106,170</u>	<u>79,661</u>	<u>26,698</u>	<u>6,145</u>	<u>4,051</u>
Total Revenues	\$5,722,645	\$4,854,853	\$4,457,618	\$3,932,602	\$3,775,297
Expenditures					
Current Service Operations					
Purchased Services	\$1,016,237	\$1,062,583	\$893,494	\$1,049,280	\$859,849
Professional fees	139,983	179,487	162,256	168,339	204,102
Contracted services	781,713	631,204	548,678	527,338	483,592
Repairs and maintenance	672,276	650,759	628,483	587,416	569,235
Utilities	116,483	115,709	155,227	123,874	122,867
Regional Water Authority fees	978,193	602,504	826,308	320,132	361,866
Administrative	113,431	121,090	99,956	118,755	106,362
Other	39,590	28,437	31,707	26,964	16,122
Economic development grant	100,000	100,000	100,000	100,000	100,000
Capital outlay	805,571	558,613	243,860	148,929	-
Intergovernmental	<u>-</u>	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>188,109</u>
Total Expenditures	\$3,689,969	\$4,400,386	\$3,689,969	\$3,171,027	\$3,012,104

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City of Houston, Harris County, Fort Bend County, the State of Texas, or any entity other than 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 taxes levied on taxable property within the District sufficient to meet debt service requirements and on the value of taxable property with respect to taxes levied by the District or by similar taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the construction of taxable improvements, accumulation of taxable personal property or continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners.

Infectious Disease Outbreak – COVID-19

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

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

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within the State. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. The State 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 operations and maintenance expenses payable from ad valorem taxes.

The District continues to monitor the spread of COVID-19 and the potential impact of the Pandemic on the District. 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.

Factors Affecting Taxable Values and Tax Payments

Location and Access: The District is located in an outlying area of the Houston metropolitan area, approximately 24 miles west from the central business district of the City of Houston, adjacent to Interstate

Highway 10. The mixed-use developments with which the District competes may be in a more convenient location or have better access. As a result, particularly during times of increased competition, the developments within the District may be at a competitive disadvantage to the developments in other mixed-use projects located closer to major urban centers. See "THE DISTRICT."

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition from other established commercial, retail, multi-family and single-family developments, new commercial, retail, multi-family and single-family developments could be developed to create more competition.

Maximum Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 2020 Assessed Valuation of the District is \$1,052,903,822 (see "TAX DATA"). After issuance of the Bonds, the maximum annual debt service requirement on the Remaining Outstanding Bonds and the Bonds will be \$2,281,425 (2036) and the average annual debt service requirement on the Remaining Outstanding Bonds and the Bonds (2021–2036) will be \$2,174,259.

Based on the 2020 Assessed Valuation and no use of funds on hand, a tax rate of \$0.23 per \$100 assessed valuation, at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$2,281,425, and a tax rate of \$0.22 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$2,174,259. For the 2020 tax year, the District levied a debt service tax rate of \$0.200 per \$100 assessed valuation. See "DISTRICT DEBT – Debt Service Requirement Schedule" and "TAX DATA – Tax Rate Calculations."

Extreme Weather Events

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms, hurricanes, tornadoes, flooding, and other natural disasters. 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.

On August 25, 2017, Hurricane Harvey made landfall on the Texas Gulf Coast. The Houston area, including Harris and Fort Bend Counties, sustained widespread rain damage and flooding as a result of Hurricane Harvey's landfall, and historic levels of rainfall during the succeeding four days. While the District did not sustain any major damage due to wind or flooding, portions of the surrounding area were impacted.

The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region. See "TAXING PROCEDURES – Valuation of Property for Taxation."

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

Material Weakness

The firm of McGrath & Co., PLLC, Certified Public Accountants, prepared the annual audit for the District for the fiscal year ended February 28, 2017. During the audit process, the Auditor discovered the District's bookkeeper ("McLennan and Associates") had deficient internal controls such that the District's cash disbursements may have not been properly recorded in the District's accounting system which could result in

an overstatement of cash and an understatement of expenditures/expenses or liabilities. McLennan and Associates also did not perform bank/investment account reconciliations in a timely manner which could result in errors in banks statements that remain undetected, material misstatements in the financial statements and the misappropriation of District financial resources. Although inconsistencies were discovered, the District's auditor has provided an opinion that the financial statements were presented fairly, in all material respects and in conformity with accounting principles generally accepted in the United States of America. Due to these inconsistencies, the District has since terminated its contract with McLennan and Associates and engaged Municipal Accounts & Consulting, LP as the District's Bookkeeper.

Tax Collections and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two (2) years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other 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. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayer's right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no provision for 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS – Registered Owners' Remedies."

Future Debt

The Bonds constitute the ninth series of bonds issued by the District for refunding purposes. Voters in the District have authorized a total of \$6,000,000 principal amount of refunding bonds; \$10,000,000 principal amount of unlimited tax and refunding bonds, and \$40,670,000 principal amount of combination unlimited tax and revenue bonds. Following the issuance of the Bonds, \$16,571 principal amount of refunding bonds, \$365,000 principal amount of unlimited tax and refunding bonds, and \$1,325,000 principal amount of combination unlimited tax and revenue bonds will remain authorized and unissued.

In addition, the District has the right to issue obligations, other than the Bonds, including revenue notes, tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. 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 other factors to limit the amount of parity bonds which it may issue.

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 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 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’s stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the “Current Permit”) issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas

Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District's inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop and implement the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

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

Due to 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.

Subsidence and Conversion to Surface Water Supply

The District is within the boundaries of the Harris Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. In 2001, the Texas legislature created the West Harris County Regional Water Authority ("Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County and a small portion of Fort Bend County. The District is not located within the boundaries of the Authority, but has entered into a contract to be included in the Authority's GRP (defined below). The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained

Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District's groundwater well(s) are included within the Authority's GRP.

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

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty effective January 1, 2019 ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

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

Marketability of the Bonds

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

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no provision for 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered

Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS – Registered Owners' Remedies."

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Annexation and Consolidation

The District lies within the extraterritorial jurisdiction of the City. Under Texas law, a district situated in the extraterritorial jurisdiction of a home-rule city may be annexed in whole, but not in part, by the city without the District's consent, in which case the City must assume the assets, functions and obligations of the district, including the district's outstanding bonds. No representation is made concerning the ability of the City to make debt service payments should annexation occur.

Under Texas law, the District may be consolidated with other municipal utility districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one or more other districts, although no consolidation is presently contemplated by the District.

The District has entered into the SPA with the City. Under the SPA, the City annexed certain commercial areas of the District for limited purposes of applying certain City planning, zoning, health and safety ordinances in the area annexed for limited purposes. The City imposes its one percent (1%) sales tax in the areas annexed for limited purposes. In the SPA, the City has agreed to rebate to the District one-half (1/2) of all sales tax revenues collected by the City in the area annexed for limited purposes. In addition, the City has agreed that it will not annex the District for full purposes (a traditional annexation) for thirty years from the effective date of the SPA. See "THE DISTRICT – Strategic Partnership Agreement."

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District or Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Changes in Tax Legislation

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

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of Texas payable from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied upon all taxable property within the District and based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds; the legal opinion of Bond Counsel, to a like effect, and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

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

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold, and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No-Litigation Certificate

The District will furnish the Underwriters a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

TAX MATTERS

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

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that it will comply with these requirements.

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

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

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

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

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

Qualified Tax-Exempt Obligations

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

The District has designated the Bonds as “qualified tax-exempt obligations” and represents that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2021 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2021.

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

VERIFICATION OF MATHEMATICAL CALCULATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Financial Advisor on behalf of the District relating to (a) computation of the adequacy of the amounts to be held by the Escrow Agent and certain available funds (if any) to pay, when due, the principal or redemption price of and interest on the Refunded Bonds, (b) the computation of the yields on the Bonds, and (c) certain requirements of the City of Houston ordinances relating to the refunding of indebtedness was verified by Robert Thomas CPA, LLC. The computations were independently verified by Robert Thomas CPA, LLC, based upon certain assumptions and information supplied by the Financial Advisor on behalf of the District, and the District. Robert Thomas CPA, LLC has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the

computations are based and accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of future events.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to EMMA annually. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT DEBT" (except under the subheading "- Estimated Direct and Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2021.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available.

On June 19, 2013, the District changed its fiscal year end date from September 30 to February 28. Accordingly, it must provide updated information by August 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Event Notices

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

Bond Resolution make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of 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 Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the United States Securities and Exchange Commission amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser 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 reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

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

OFFICIAL STATEMENT

General

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

Experts

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled “THE DISTRICT –

Description," "CURRENT STATUS OF DEVELOPMENT IN THE DISTRICT," and "THE SYSTEM" has been provided by the District's Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by the Harris County Appraisal District and the Fort Bend Central Appraisal District. Such information has been included herein in reliance upon their authority as an expert in the field of tax assessing and real property appraised.

Certification as to Official Statement

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

Updating of Official Statement

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

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Cimarron Municipal Utility District of Harris County, Texas as of the date shown on the first page hereof.

/s/ Richard May
President, Board of Directors
Cimarron Municipal Utility District of Harris County, Texas

ATTEST:

/s/ David Aitken
Secretary, Board of Directors
Cimarron Municipal Utility District of Harris County, Texas

APPENDIX A
Financial Statements of the District

**CIMARRON MUNICIPAL
UTILITY DISTRICT**

HARRIS AND FORT BEND COUNTIES, TEXAS

FINANCIAL REPORT

February 29, 2020

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McGRATH & CO., PLLC

Certified Public Accountants
2500 Tanglewilde, Suite 340
Houston, Texas 77063

Independent Auditors' Report

Board of Directors
Cimarron Municipal Utility District
Harris and Fort Bend Counties, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Cimarron Municipal Utility District, as of and for the year ended February 29, 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 basic 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 basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 to provide a basis for our audit opinions.

***Board of Directors
Cimarron Municipal Utility District
Harris and Fort Bend Counties, Texas***

Opinion

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 Cimarron Municipal Utility District, as of February 29, 2020, and the respective changes in financial position thereof for the year then ended in conformity 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 budgetary comparison information 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 Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

McGrath & Co, LLC

Houston, Texas
June 17, 2020

Management's Discussion and Analysis

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***Cimarron Municipal Utility District
Management's Discussion and Analysis
February 29, 2020***

Using this Annual Report

Within this section of the financial report of Cimarron Municipal Utility District (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended February 29, 2020. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

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Management's Discussion and Analysis
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The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at February 29, 2020, was \$1,223,964. A comparative summary of the District's overall financial position, as of February 29, 2020 and February 28, 2019, is as follows:

	2020	2019
Current and other assets	\$ 9,073,100	\$ 8,611,264
Capital assets	19,444,603	19,061,026
Total assets	<u>28,517,703</u>	<u>27,672,290</u>
Total deferred outflows of resources	<u>446,873</u>	<u>492,454</u>
Current liabilities	1,828,884	2,213,749
Long-term liabilities	25,911,728	27,157,580
Total liabilities	<u>27,740,612</u>	<u>29,371,329</u>
Net position		
Net investment in capital assets	(5,648,515)	(7,094,185)
Restricted	2,177,907	2,263,915
Unrestricted	4,694,572	3,623,685
Total net position	<u>\$ 1,223,964</u>	<u>\$ (1,206,585)</u>

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The total net position of the District increased during the current fiscal year by \$2,430,549. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2020	2019
Revenues		
Water and sewer service	\$ 1,593,666	\$ 1,525,193
Property taxes, penalties and interest	3,462,286	3,298,082
City of Houston sales tax rebates	845,786	834,276
Regional water authority fees	1,240,787	943,948
Other	1,232,508	1,009,059
Total revenues	<u>8,375,033</u>	<u>7,610,558</u>
Expenses		
Current service operations	4,534,818	4,041,580
Debt interest and fees	987,672	1,083,272
Debt issuance costs		346,412
Intergovernmental		350,000
Depreciation	421,994	404,177
Total expenses	<u>5,944,484</u>	<u>6,225,441</u>
Change in net position	2,430,549	1,385,117
Net position, beginning of year	(1,206,585)	(2,591,702)
Net position, end of year	<u>\$ 1,223,964</u>	<u>\$ (1,206,585)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of February 29, 2020, were \$8,257,175, which consists of \$6,077,175 in the General Fund, \$2,059,605 in the Debt Service Fund, and \$120,395 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of February 29, 2020 and February 28, 2019 is as follows:

	2020	2019
Total assets	<u>\$ 6,624,531</u>	<u>\$ 5,989,933</u>
Total liabilities	\$ 448,617	\$ 774,922
Total deferred inflows	98,739	97,004
Total fund balance	<u>6,077,175</u>	<u>5,118,007</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 6,624,531</u>	<u>\$ 5,989,933</u>

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Management’s Discussion and Analysis
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A comparative summary of the General Fund’s activities for the current and prior fiscal year is as follows:

	2020	2019
Total revenues	\$ 5,722,645	\$ 4,854,853
Total expenditures	(4,763,477)	(4,400,386)
Revenues over expenditures	959,168	454,467
Other changes in fund balance		(14,205)
Net change in fund balance	\$ 959,168	\$ 440,262

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District’s primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District, and City of Houston sales tax rebates. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.
- Water, sewer and regional water authority fee revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District’s control.
- Sales tax rebates received from the City of Houston under a Strategic Partnership Agreement are dependent on consumer spending at retail stores located within the District’s boundaries and will fluctuate from year to year.

Debt Service Fund

A comparative summary of the Debt Service Fund’s financial position as of February 29, 2020 and February 28, 2019 is as follows:

	2020	2019
Total assets	\$ 2,184,574	\$ 2,287,051
Total liabilities	\$ 6,667	\$ 23,136
Total deferred inflows	118,302	126,844
Total fund balance	2,059,605	2,137,071
Total liabilities, deferred inflows and fund balance	\$ 2,184,574	\$ 2,287,051

***Cimarron Municipal Utility District
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A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	2020	2019
Total revenues	\$ 2,153,400	\$ 2,324,542
Total expenditures	(2,230,866)	(2,611,055)
Revenues under expenditures	(77,466)	(286,513)
Other changes in fund balance		385,944
Net change in fund balance	<u>\$ (77,466)</u>	<u>\$ 99,431</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in changes in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

During the prior year, the District issued \$9,655,000 in refunding bonds to refund \$9,705,000 of its outstanding Series 2011 bonds. This refunding will save the District \$1,233,874 in future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of February 29, 2020 and February 28, 2019 is as follows:

	2020	2019
Total assets	<u>\$ 120,420</u>	<u>\$ 118,589</u>
Total liabilities	\$ 25	\$ -
Total fund balance	<u>120,395</u>	<u>118,589</u>
Total liabilities and fund balance	<u>\$ 120,420</u>	<u>\$ 118,589</u>

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2020	2019
Total revenues	\$ 1,904	\$ 1,975
Total expenditures	(98)	(60,276)
Revenues over/(under) expenditures	1,806	(58,301)
Other changes in fund balance		14,205
Net change in fund balance	<u>\$ 1,806</u>	<u>\$ (44,096)</u>

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Management’s Discussion and Analysis
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The District did not have any significant capital asset activity in the current year. During the previous fiscal year, the District’s capital asset activity was for the rehabilitation of existing facilities.

Joint Water Plant Fund

The District uses a special revenue fund to account for costs associated with the operation and maintenance of water plant no. 3 jointly owned by the District and Harris – Fort Bend Counties Municipal Utility District No. 3 (the “Joint Water Plant”). A comparative summary of the Joint Water Plant Fund’s financial position as of February 29, 2020 and February 28, 2019 is as follows:

	2020	2019
Total assets	\$ 143,575	\$ 215,691
Total liabilities	\$ 143,575	\$ 215,691

A comparative summary of activities for the Special Revenue Fund’s current and prior fiscal year is as follows

	2020	2019
Total revenues	\$ 503,891	\$ 484,849
Total expenditures	(503,891)	(484,849)
Revenues over/(under) expenditures	\$ -	\$ -

Revenues in the Joint Water Plant Fund primarily consist of charges to participants. The amount the District charges is based upon the actual cost of providing services. Consequently, revenues will equal expenditures each year.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$812,022 greater than budgeted. The *Budgetary Comparison Schedule* on page 38 of this report provides variance information per financial statement line item.

***Cimarron Municipal Utility District
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Capital Assets

Capital assets held by the District at February 29, 2020 and February 28, 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Capital assets not being depreciated		
Land and improvements	\$ 8,124,046	\$ 8,124,046
Construction in progress	<u>540,225</u>	<u>536,448</u>
	<u>8,664,271</u>	<u>8,660,494</u>
Capital assets being depreciated		
Infrastructure	16,006,659	15,263,282
Investment in regional facilities	<u>2,555,575</u>	<u>2,497,157</u>
	<u>18,562,234</u>	<u>17,760,439</u>
Less accumulated depreciation		
Infrastructure	(7,243,326)	(6,878,121)
Investment in regional facilities	<u>(538,576)</u>	<u>(481,786)</u>
	<u>(7,781,902)</u>	<u>(7,359,907)</u>
Depreciable capital assets, net	<u>10,780,332</u>	<u>10,400,532</u>
Capital assets, net	<u>\$ 19,444,603</u>	<u>\$ 19,061,026</u>

Capital asset additions during the current year include improvements to existing facilities and the District's share of certain regional wastewater facilities.

Construction in progress is for sanitary sewer rehabilitation and other capital improvements to regional facilities shared with West Memorial Municipal Utility District.

Long-Term Debt and Related Liabilities

As of February 29, 2020, the District owes \$80,000 to developers for completed projects pending acceptance of storm sewer in Grand Crossing by Harris County. The District intends to reimburse the developer from surplus general operating funds pending Harris County acceptance of the facilities.

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Management’s Discussion and Analysis
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At February 29, 2020 and February 28, 2019, the District had total bonded debt outstanding as shown below:

Series	2020	2019
2010	\$ 535,000	\$ 660,000
2011		180,000
2013	2,190,000	2,285,000
2014 Refunding	4,465,000	4,980,000
2015	4,840,000	5,045,000
2017 Refunding	4,070,000	4,090,000
2017	1,060,000	1,110,000
2019 Refunding	9,645,000	9,655,000
	\$ 26,805,000	\$ 28,005,000

At February 29, 2020, the District had authorized, but unissued unlimited tax and revenue bonds in the amount of \$1,325,000; authorized, but unissued unlimited tax and refunding bonds in the amount of \$365,000; and authorized, but unissued unlimited tax refunding bonds in the amount of \$134,610.

Next Year’s Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes, City of Houston sales tax rebates and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year’s budget to current year actual amounts for the General Fund is as follows:

	2020 Actual	2021 Budget
Total revenues	\$ 5,722,645	\$ 5,390,985
Total expenditures	(4,763,477)	(4,944,383)
Revenues over expenditures	959,168	446,602
Beginning fund balance	5,118,007	6,077,175
Ending fund balance	\$ 6,077,175	\$ 6,523,777

Basic Financial Statements

***Cimarron Municipal Utility District
Statement of Net Position and Governmental Funds Balance Sheet
February 29, 2020***

	General Fund	Debt Service Fund	Capital Projects Fund	Joint Water Plant Fund
Assets				
Cash and investments	\$ 5,914,321	\$ 2,103,430	\$ 120,420	\$ 110,402
Taxes receivable, net	42,620	118,302		
Customer service receivables	156,833			
Due from City of Houston	202,527			
Internal balances	53,186	(37,379)		(15,807)
Other receivables	22,065	221		
Due from other districts				48,767
Prepaid items	39,467			213
Operating Reserve - West Memorial Treatment Plant	74,754			
Operating Reserve - Water plant	118,758			
Capital assets not being depreciated				
Capital assets, net				
Total Assets	\$ 6,624,531	\$ 2,184,574	\$ 120,420	\$ 143,575
Deferred Outflows of Resources				
Deferred difference on refunding				
Liabilities				
Accounts payable	\$ 391,321	\$ -	\$ 25	\$ 17,905
Retainage payable	37,196			
Other payables	3,000	6,667		
Operating reserve				125,670
Customer deposits	17,100			
Due to developers				
Long-term debt				
Due within one year				
Due after one year				
Total Liabilities	448,617	6,667	25	143,575
Deferred Inflows of Resources				
Deferred property taxes	42,620	118,302		
Deferred City of Houston sales tax	56,119			
	98,739	118,302		
Fund Balances/Net Position				
Fund Balances				
Nonspendable	232,979			
Restricted		2,059,605	120,395	
Committed	80,000			
Unassigned	5,764,196			
Total Fund Balances	6,077,175	2,059,605	120,395	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,624,531	\$ 2,184,574	\$ 120,420	\$ 143,575
Net Position				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See notes to basic financial statements.

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 8,248,573	\$ -	\$ 8,248,573
160,922		160,922
156,833		156,833
202,527		202,527
22,286		22,286
48,767		48,767
39,680		39,680
74,754		74,754
118,758		118,758
	8,664,271	8,664,271
	10,780,332	10,780,332
<u>\$ 9,073,100</u>	<u>19,444,603</u>	<u>28,517,703</u>
	<u>446,873</u>	<u>446,873</u>
\$ 409,251		409,251
37,196		37,196
9,667		9,667
125,670		125,670
17,100		17,100
	80,000	80,000
	1,230,000	1,230,000
	25,831,728	25,831,728
<u>598,884</u>	<u>27,141,728</u>	<u>27,740,612</u>
160,922	(160,922)	
56,119	(56,119)	
<u>217,041</u>	<u>(217,041)</u>	
232,979	(232,979)	
2,180,000	(2,180,000)	
80,000	(80,000)	
5,764,196	(5,764,196)	
<u>8,257,175</u>	<u>(8,257,175)</u>	
<u>\$ 9,073,100</u>		
	(5,648,515)	(5,648,515)
	2,177,907	2,177,907
	4,694,572	4,694,572
	<u>\$ 1,223,964</u>	<u>\$ 1,223,964</u>

Cimarron Municipal Utility District
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended February 29, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Joint Water Plant Fund
Revenues				
Water service	\$ 626,240	\$ -	\$ -	\$ -
Sewer service	967,426			
Property taxes	1,294,132	2,077,006		
Penalties and interest	59,374	31,162		
Water supply				503,693
Tap connection and inspection	507,134			
City of Houston sales tax rebate	853,205			
Regional water authority fees	1,240,787			
Miscellaneous	68,177	4,871		
Investment earnings	106,170	40,361	1,904	198
Total Revenues	5,722,645	2,153,400	1,904	503,891
Expenditures/Expenses				
Current service operations				
Purchased services	1,016,237			
Professional fees	139,983			10,549
Contracted services	781,713	61,328	25	6,313
Repairs and maintenance	672,276			133,339
Utilities	116,483			28,166
Regional water authority fees	978,193			314,175
Administrative	113,431	11,595		11,299
Other	39,590		73	50
Economic development grant	100,000			
Capital outlay	805,571			
Debt service				
Principal		1,200,000		
Interest and fees		957,943		
Depreciation				
Total Expenditures/Expenses	4,763,477	2,230,866	98	503,891
Net Change in Fund Balances	959,168	(77,466)	1,806	
Change in Net Position				
Fund Balance/Net Position				
Beginning of the period	5,118,007	2,137,071	118,589	
End of the period	\$ 6,077,175	\$ 2,059,605	\$ 120,395	\$ -

See notes to basic financial statements.

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 626,240	\$ -	\$ 626,240
967,426		967,426
3,371,138	1,308	3,372,446
90,536	(696)	89,840
503,693		503,693
507,134		507,134
853,205	(7,419)	845,786
1,240,787		1,240,787
73,048		73,048
148,633		148,633
8,381,840	(6,807)	8,375,033
1,016,237		1,016,237
150,532		150,532
849,379		849,379
805,615		805,615
144,649		144,649
1,292,368		1,292,368
136,325		136,325
39,713		39,713
100,000		100,000
805,571	(805,571)	
1,200,000	(1,200,000)	
957,943	29,729	987,672
	421,994	421,994
7,498,332	(1,553,848)	5,944,484
883,508	(883,508)	
	2,430,549	2,430,549
7,373,667	(8,580,252)	(1,206,585)
\$ 8,257,175	\$ (7,033,211)	\$ 1,223,964

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Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2020

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Cimarron Municipal Utility District (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Water Rights Commission, statutory predecessor to the Texas Commission on Environmental Quality, dated February 9, 1976, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on December 7, 1976 and the first bonds were issued on December 1, 1977.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other 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 statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has four governmental funds, which are all considered major funds

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes, City of Houston sales tax rebates, and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer and drainage facilities.
- The Special Revenue Fund is used to account for the operation and maintenance of water plant no. 3, which is jointly owned by the District and Harris-Fort Bend Counties Municipal Utility District No. 3. See Note 11 for more information.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, City of Houston sales tax rebates, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At February 29, 2020, an allowance of \$19,088 was provided for possible uncollectible property taxes. An allowance for uncollectible water/sewer accounts was not considered necessary.

Unbilled Service Revenues

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater, and drainage facilities and investments in regional facilities, are depreciated using the straight-line method as follows:

Assets	Useful Life
Infrastructure	20-45 years
Investment in regional facilities	45 years

The District’s detention facilities are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable and City of Houston sales tax rebates receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position – Governmental Activities (continued)

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items and operating reserves paid to West Memorial Municipal Utility District and to the Special Revenue Fund for the joint water plant.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District's committed fund balance consists of surplus general operating funds committed for developer reimbursements. This reimbursement is pending Harris County acceptance of the facilities.

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

Note 1 – Summary of Significant Accounting Policies (continued)

Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2020

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables, the value of unbilled utility revenues and receivables and the useful lives and impairment of capital assets. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

***Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2020***

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds	\$	8,257,175
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$	27,226,505	
Less accumulated depreciation		<u>(7,781,902)</u>	
Change due to capital assets			19,444,603

The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.

446,873

Amounts due to the District's developers for prefunded construction are recorded as a liability in the *Statement of Net Position*.

(80,000)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of bonds payable, net.

(27,061,728)

Receivables that are not collected within sixty days of fiscal year end are not considered available to pay current period expenditures and are deferred in the funds.

Property taxes	160,922	
City of Houston sales tax receipts	<u>56,119</u>	
		217,041

Total net position - governmental activities	<u>\$</u>	<u>1,223,964</u>
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Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2020

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds	\$	883,508
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Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for:

Property taxes and related penalties and interest	\$	612	
City of Houston sales tax rebates		(7,419)	
			(6,807)

Governmental funds report capital outlays for construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of long-term assets is capitalized and charged to expense over the estimated useful life of the asset.

Capital outlays		805,571	
Depreciation expense		(421,994)	
			383,577

The issuance of long-term debt provides current financial resources in governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Principal payments		1,200,000	
Interest expense accrual		(29,729)	
			1,170,271

Change in net position of governmental activities		\$	2,430,549
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Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2020

Note 3 – Deposits and Investments (continued)

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of February 29, 2020, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificate of deposit	General	\$ 2,160,000			
	Debt Service	240,000			
		<u>2,400,000</u>	32%	N/A	N/A
TexPool	Capital Projects	74,835			
		<u>74,835</u>	1%	AAAm	30 days
Texas CLASS	General	3,609,020			
	Debt Service	1,285,932			
	Capital Projects	45,485			
		<u>4,940,437</u>	67%	AAAm	58 days
Total		<u>\$ 7,415,272</u>	<u>100%</u>		

The District's investments in certificates of deposit are reported at cost.

Note 3 – Deposits and Investments (continued)

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District's position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Texas CLASS

The District also participates in Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administrator and Wells Fargo Bank as the custodian.

The District's investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District's investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

Investments in Texas CLASS may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

***Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2020***

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at February 29, 2020, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 37,379	Maintenance tax collections not remitted as of year end
General Fund	Joint Water Plant Fund	15,807	Credit due to the General Fund for overpayment

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended February 29, 2020, is as follows:

	<u>Beginning Balances</u>	<u>Additions/ Adjustments</u>	<u>Retirements</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land and improvements	\$ 8,124,046	\$ -	\$ -	\$ 8,124,046
Construction in progress	536,448	288,965	(285,188)	540,225
	<u>8,660,494</u>	<u>288,965</u>	<u>(285,188)</u>	<u>8,664,271</u>
Capital assets being depreciated				
Infrastructure	15,263,282	743,377		16,006,659
Investment in regional facilities	2,497,157	58,418		2,555,575
	<u>17,760,439</u>	<u>801,795</u>		<u>18,562,234</u>
Less accumulated depreciation				
Infrastructure	(6,878,121)	(365,205)		(7,243,326)
Investment in regional facilities	(481,786)	(56,790)		(538,576)
	<u>(7,359,907)</u>	<u>(421,995)</u>		<u>(7,781,902)</u>
Subtotal depreciable capital assets, net	<u>10,400,532</u>	<u>379,800</u>		<u>10,780,332</u>
Capital assets, net	<u>\$ 19,061,026</u>	<u>\$ 668,765</u>	<u>\$ (285,188)</u>	<u>\$ 19,444,603</u>

Depreciation expense for the current year was \$421,995.

The District has contractual commitments for construction projects as follows:

	<u>Contract Amount</u>	<u>Amounts Paid</u>	<u>Remaining Commitment</u>
Sanitary sewer repairs, phase 4	\$ 412,067	\$ 375,284	\$ 36,783

***Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2020***

Note 6 – Due to Developers

The District has entered into financing agreements with developers of property within the District for the financing of the construction of water, sewer, and drainage facilities. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable.

The amount due to developer at February 29, 2020 is \$80,000. There was no change in this liability from the prior year. The District intends to reimburse the developer from surplus general operating funds pending Harris County acceptance of the facilities.

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 26,805,000
Unamortized discounts	(155,627)
Unamortized premium	412,355
	<u>\$ 27,061,728</u>
Due within one year	<u>\$ 1,230,000</u>

The District’s bonds payable at February 29, 2020, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2010	\$ 535,000	\$ 5,130,000	3.50% - 4.00%	March 1, 2018/2024	September 1, March 1	March 1, 2018
2013	2,190,000	2,630,000	2.00% - 4.375%	March 1, 2016/2036	September 1, March 1	March 1, 2021
2014 Refunding	4,465,000	6,585,000	2.00% - 3.125%	March 1, 2015/2031	September 1, March 1	March 1, 2023
2015	4,840,000	5,790,000	2.00% - 3.250%	March 1, 2016/2036	September 1, March 1	March 1, 2024
2017 Refunding	4,070,000	4,155,000	2.76%	March 1, 2018/2031	September 1, March 1	March 1, 2025
2017	1,060,000	1,215,000	2.00% - 4.50%	March 1, 2018/2036	September 1, March 1	March 1, 2025
2019 Refunding	9,645,000	9,655,000	4.00%	March 1, 2020/2036	September 1, March 1	March 1, 2029
	<u>\$ 26,805,000</u>					

Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2020

Note 7 – Long-Term Debt (continued)

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At February 29, 2020, the District had authorized but unissued unlimited tax and revenue bonds in the amount of \$1,325,000; authorized but unissued unlimited tax and refunding bonds in the amount of \$365,000; and authorized but unissued unlimited tax refunding bonds in the amount of \$134,610.

The change in the District’s long-term debt during the year is as follows:

Bonds payable, beginning of period	\$ 28,005,000
Bonds retired	<u>(1,200,000)</u>
Bonds payable, end of period	<u>\$ 26,805,000</u>

The debt service payment due March 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of February 29, 2020, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2021	\$ 1,230,000	\$ 908,902	\$ 2,138,902
2022	1,280,000	873,874	2,153,874
2023	1,320,000	836,773	2,156,773
2024	1,375,000	794,542	2,169,542
2025	1,435,000	750,494	2,185,494
2026	1,485,000	705,526	2,190,526
2027	1,530,000	659,895	2,189,895
2028	1,590,000	612,770	2,202,770
2029	1,655,000	563,173	2,218,173
2030	1,725,000	511,644	2,236,644
2031	1,780,000	457,489	2,237,489
2032	1,895,000	401,261	2,296,261
2033	1,985,000	328,412	2,313,412
2034	2,080,000	252,005	2,332,005
2035	2,170,000	171,618	2,341,618
2036	2,270,000	87,725	2,357,725
	<u>\$ 26,805,000</u>	<u>\$ 8,916,103</u>	<u>\$ 35,721,103</u>

***Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2020***

Note 8 – Property Taxes

On January 25, 1977, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$0.25 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Harris County Appraisal District and the Fort Bend 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.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2020 fiscal year was financed through the 2019 tax levy, pursuant to which the District levied property taxes of \$0.365 per \$100 of assessed value, of which \$0.14 was allocated to maintenance and operations and \$0.225 was allocated to debt service. The resulting tax levy was \$3,479,685 on the adjusted taxable value of \$953,338,289.

Property taxes receivable, at February 29, 2020, consisted of the following:

Current year taxes receivable	\$ 92,196
Prior years taxes receivable	56,913
Less allowance for uncollectible accounts	(19,088)
	<u>130,021</u>
Penalty and interest receivable	30,901
Net property taxes receivable	<u>\$ 160,922</u>

Note 9 – Strategic Partnership Agreement

Effective April 10, 2003, as subsequently amended, the District and the City of Houston (the “City”) entered into a Strategic Partnership Agreement (the “Agreement”) under which the City annexed certain commercial areas of the District for the limited purposes of applying the City’s planning, zoning, health and safety ordinances within the District. The District continues to exercise all powers and functions of a municipal utility district. As consideration for the District providing services described in the Agreement, the City agreed to remit one half of all retail sales taxes collected from retailers in the area annexed. The City agrees that it will not annex all or part of the District during the term of this agreement which is thirty years. During the current year, the District recognized \$853,205 in City of Houston sales tax revenues

*Cimarron Municipal Utility District
 Notes to Basic Financial Statements
 February 29, 2020*

Note 10 – Financing and Operation of Regional Facilities

On August 30, 1983, as subsequently amended, the District entered into a forty-five year agreement with West Memorial Municipal Utility District (“West Memorial”), Interstate Municipal Utility District, Mason Creek Utility District and Harris County Municipal Utility District No. 81, whereby West Memorial agreed to provide the regional wastewater treatment and disposal facilities necessary to serve the participants. West Memorial has oversight responsibilities and holds title to the facilities for the benefit of the participating Districts.

The following represents each participant’s capacity and percentage of ownership:

Participant	Million Gallons Capacity	Percent of Ownership
Cimarron Municipal Utility District	2,471,000	38.16%
Interstate Municipal Utility District	1,350,000	20.85%
Harris County Municipal Utility District No. 81	1,255,000	19.38%
Mason Creek Utility District	800,000	12.36%
West Memorial Municipal Utility District	599,000	9.25%
Totals	6,475,000	100.00%

West Memorial operates the regional facilities. Participants are billed monthly based on a contractual formula. During the current year, the District recorded expenditures in the amount of \$631,418 for its share of operating costs. In addition, the District is responsible for its pro rata share of an operating and maintenance reserve, which is equivalent to three months of average budgeted operating and maintenance expenditures. As of February 28, 2020, the District’s share of the operating reserve is \$74,754.

*Cimarron Municipal Utility District
 Notes to Basic Financial Statements
 February 29, 2020*

Note 10 – Financing and Operation of Regional Facilities (continued)

Audited financial statements for the wastewater treatment plant are prepared annually and can be obtained from West Memorial’s attorney. Condensed financial information, as of and for the year ended June 30, 2019, is shown below:

Total Assets	<u>\$ 832,805</u>
Total Liabilities	\$ 419,005
Total Fund Balance - Restricted	<u>413,800</u>
Total Liabilities and Fund Balance	<u>\$ 832,805</u>
Total Revenues	\$ 3,412,642
Total Expenditures	<u>(3,412,642)</u>
Revenues Over Expenditures	
Other Financing Sources - Decrease in Operating Reserve	<u>(3,388)</u>
Net Change in Fund Balance	(3,388)
Fund Balance, Beginning of Year	<u>417,188</u>
Fund Balance, End of Year	<u>\$ 413,800</u>

Note 11 – Joint Water Supply Agreement

On November 17, 2010, the District entered into a Joint Water Plant Operating Agreement, (“the “Agreement”) with Harris-Fort Bend Counties Municipal District No. 3 (HFB MUD 3) for allocation of costs associated with the operation and maintenance of a joint water plant. The District shall hold legal title for the water plant for the benefit of both districts. Each district shall have an undivided equitable interest in the water plant based on the district’s proportionate share of equivalent single family connections. The District has a 65.04% interest in the water plant and HFB MUD 3 has a 34.96% interest in the water plant.

Pursuant to the Agreement, the District has established the Joint Water Plant Fund, a special revenue fund, to account for activities related to the operation and maintenance of the joint water plant. Each district is billed monthly for its proportionate share of maintenance and operating expenditures. For the year ended February 29, 2020, the District’s share of the water service billings were \$440,961 and HFB MUD 3’s share of the water service billings were \$62,733. As of February 29, 2020, the District’s and HFB MUD 3’s operating reserves are \$118,758 and \$6,913, respectively.

Note 12 – West Harris County Regional Water Authority

The District is within the boundaries of the West Harris County Regional Water Authority (the “Authority”), which was created by the Texas Legislature. The Authority is a political subdivision of the State of Texas, governed by an elected nine member Board of Directors. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Coastal Subsidence District, which regulates groundwater withdrawal. As of February 29, 2020, the Authority’s rates are \$3.20 per 1,000 gallons of water pumped from the District’s wells and \$3.60 for surface water supplied to the District. These rates are subject to future increases. The District passes these costs on to its customers.

Note 13 – Economic Development Agreement

On July 17, 2013, the District entered into an Economic Development Agreement with Costco Wholesale Corporation in order to provide a performance-based economic development grant to the developer to defray a portion of the costs incurred by the developer by building a wholesale merchandise facility in the District. Costco will be paid from revenues received from the Strategic Partnership Agreement (“SPA”) between the District and the City of Houston (“the City”). The amount of the Economic Development Grant for a given year shall be equal to fifty percent of the revenue received by the District from the City pursuant to the SPA from Costco, but not to exceed \$100,000. The initial Economic Development Grant payment shall be made within thirty days of the annual anniversary date of the initial sales tax collection by the City from Costco and ends after ten years. During the current fiscal year, the District recognized \$100,000 in payment to Costco.

Note 14 – 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 personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 15 – Subsequent Event

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. 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. On March 31, 2020, the Governor issued an executive order closing all non-essential businesses in the State. This order expired on April 30, 2020. Additionally, all the counties in the greater Houston area adopted various “Work Safe – Stay Home” orders. Such actions are focused on limiting instances where the public can congregate or interact with each other. These precautions resulted in the temporary closure of all non-essential businesses in the State.

*Cimarron Municipal Utility District
Notes to Basic Financial Statements
February 29, 2020*

Note 15 – Subsequent Event (continued)

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 the economic growth and financial markets worldwide and within Texas. These negative impacts may reduce or negatively affect property taxes and ad valorem tax revenues within the District.

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

Required Supplementary Information

*Cimarron Municipal Utility District
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended February 29, 2020*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 600,000	\$ 626,240	\$ 26,240
Sewer service	960,000	967,426	7,426
Property taxes	979,416	1,294,132	314,716
Penalties and interest	48,000	59,374	11,374
Tap connection and inspection	30,000	507,134	477,134
City of Houston sales tax rebate	825,000	853,205	28,205
Regional water authority fees	1,073,063	1,240,787	167,724
Miscellaneous	10,800	68,177	57,377
Investment earnings	80,000	106,170	26,170
Total Revenues	<u>4,606,279</u>	<u>5,722,645</u>	<u>1,116,366</u>
Expenditures			
Current service operations			
Purchased services	1,050,033	1,016,237	33,796
Professional fees	226,400	139,983	86,417
Contracted services	632,000	781,713	(149,713)
Repairs and maintenance	701,500	672,276	29,224
Utilities	122,000	116,483	5,517
Regional water authority fees	720,000	978,193	(258,193)
Administrative	135,200	113,431	21,769
Other	32,000	39,590	(7,590)
Economic development grant	100,000	100,000	
Capital outlay	740,000	805,571	(65,571)
Total Expenditures	<u>4,459,133</u>	<u>4,763,477</u>	<u>(304,344)</u>
Revenues Over Expenditures	147,146	959,168	812,022
Fund Balance			
Beginning of the period	5,118,007	5,118,007	
End of the period	<u>\$ 5,265,153</u>	<u>\$ 6,077,175</u>	<u>\$ 812,022</u>

*Cimarron Municipal Utility District
 Required Supplementary Information - Budgetary Comparison Schedule - Special Revenue Fund
 For the Year Ended February 29, 2020*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water supply	\$ 502,680	\$ 503,693	\$ 1,013
Miscellaneous	140		(140)
Investment earnings	130	198	68
Total Revenues	<u>502,950</u>	<u>503,891</u>	<u>941</u>
Expenditures			
Current service operations			
Professional fees	10,900	10,549	351
Contracted services	7,000	6,313	687
Repairs and maintenance	54,700	133,339	(78,639)
Utilities	36,000	28,166	7,834
Regional Water Authority fees	375,000	314,175	60,825
Administrative	14,050	11,299	2,751
Other	5,300	50	5,250
Total Expenditures	<u>502,950</u>	<u>503,891</u>	<u>(941)</u>
Revenues Over (Under) Expenditures			
Fund Balance:			
Beginning of the period	-	-	-
End of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Cimarron Municipal Utility District
Notes to Required Supplementary Information
February 29, 2020

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund and Special Revenue Fund by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. There were no amendments to the budgets during the year.

Texas Supplementary Information

Cimarron Municipal Utility District

TSI-1. Services and Rates

February 29, 2020

1. Services provided by the District During the Fiscal Period:

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

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>	
Water:	\$ 9.00	6,000	N	\$ 1.25	6,001 to	10,000
				\$ 1.50	10,001 to	15,000
				\$ 1.75	15,001 to	20,000
				\$ 2.00	20,001 to	No limit
Wastewater:	\$ 26.22	- 0 -	Y	N/A	- 0 - to	No limit
Surface water:	\$	- 0 -	N	\$ 3.52	- 0 - to	No limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 49.20 Wastewater \$ 26.22

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC'S</u>
Unmetered			x 1.0	
less than 3/4"	1,501	1,489	x 1.0	1,489
1"	23	23	x 2.5	58
1.5"	37	37	x 5.0	185
2"	100	100	x 8.0	800
3"	2	2	x 15.0	30
4"	2	2	x 25.0	50
6"	3	3	x 50.0	150
8"	10	10	x 80.0	800
10"			x 115.0	
12"	1	1	x 155.0	155
Total Water	1,679	1,667		3,717
Total Wastewater	1,589	1,577	x 1.0	1,577

See accompanying auditors' report.

Cimarron Municipal Utility District

TSI-1. Services and Rates

February 29, 2020

3. Total Water Consumption during the fiscal period (rounded to the nearest thousand):
(You may omit this information if your district does not provide water)

Gallons pumped into system:	<u>436,196,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>378,786,000</u>	(Gallons billed/sold//
*Gallons sold:	<u>19,406,000</u>	gallons pumped/purchased)
		<u>91.29%</u>

4. Standby Fees (authorized only under TWC Section 49.231):
(You may omit this information if your district does not levy standby fees)

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District (required for first audit year or when information changes,
otherwise this information may be omitted):

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Harris and Fort Bend

Is the District located within a city? Entirely Partly Not at all

City(ies) in which the District is located: _____

Is the District located within a city's extra territorial jurisdiction (ETJ)?
Entirely Partly Not at all

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes No

If Yes, by whom? _____

* Gallons sold to Harris-Fort Bend County MUD 3

See accompanying auditors' report.

*Cimarron Municipal Utility District
TSI-2 General Fund Expenditures
For the Year Ended February 29, 2020*

Purchased services		<u>\$ 1,016,237</u>
Professional fees		
Legal		86,580
Engineering		40,903
Audit		12,500
		<u>139,983</u>
Contracted services		
Bookkeeping		26,189
Operator		95,611
Garbage collection		237,055
Tap connection and inspection		212,483
Tax assessor collector		2,880
Security		207,495
		<u>781,713</u>
Repairs and maintenance		<u>672,276</u>
Utilities		<u>116,483</u>
Regional water authority fees		<u>978,193</u>
Administrative		
Directors fees		16,200
Printing and office supplies		30,209
Insurance		29,763
Other		37,259
		<u>113,431</u>
Other		<u>39,590</u>
Economic development grant		<u>100,000</u>
Capital outlay		<u>805,571</u>
Total expenditures		<u>\$ 4,763,477</u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	1,179,447 kWh	\$ 116,483
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-3. Investments
February 29, 2020

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
Texas CLASS	Variable	N/A	\$ 3,609,020	\$ -
Certificate of deposit	2.60%	04/22/20	240,000	5,353
Certificate of deposit	2.25%	10/30/20	240,000	1,790
Certificate of deposit	1.80%	01/13/21	240,000	544
Certificate of deposit	2.00%	10/15/20	240,000	1,788
Certificate of deposit	2.25%	09/23/20	240,000	2,338
Certificate of deposit	2.65%	04/18/20	240,000	5,506
Certificate of deposit	2.45%	09/23/20	240,000	2,545
Certificate of deposit	2.10%	09/25/20	240,000	2,154
Certificate of deposit	1.80%	02/24/21	240,000	47
			<u>5,769,020</u>	<u>22,065</u>
Debt Service				
Texas CLASS	Variable	N/A	1,285,932	
Certificate of deposit	1.60%	02/07/21	240,000	221
			<u>1,525,932</u>	<u>221</u>
Capital Projects				
TexPool	Variable	N/A	74,835	
Texas CLASS	Variable	N/A	45,485	
			<u>120,320</u>	
Total - All Funds			<u>\$ 7,415,272</u>	<u>\$ 22,286</u>

See accompanying auditors' report.

***Cimarron Municipal Utility District
TSI-4. Taxes Levied and Receivable
February 29, 2020***

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 33,466	\$ 95,247	\$ 128,713	
2019 Original Tax Levy	1,252,123	2,012,340	3,264,463	
Adjustments	82,551	132,671	215,222	
Adjusted Tax Levy	1,334,674	2,145,011	3,479,685	
Total to be accounted for	1,368,140	2,240,258	3,608,398	
Tax collections:				
Current year	1,299,311	2,088,178	3,387,489	
Prior years	26,209	64,679	90,888	
Total Collections	1,325,520	2,152,857	3,478,377	
Taxes Receivable, End of Year	\$ 42,620	\$ 87,401	\$ 130,021	
Taxes Receivable, By Years				
2019	\$ 35,363	\$ 56,833	\$ 92,196	
2018	2,759	6,396	9,155	
2017	1,757	4,074	5,831	
2016 and prior	2,741	20,098	22,839	
Taxes Receivable, End of Year	\$ 42,620	\$ 87,401	\$ 130,021	
	2019	2018	2017	2016
Property Valuations:				
Land	\$ 304,098,132	\$ 287,738,159	\$ 289,779,412	\$ 272,623,890
Improvements	678,820,071	633,191,336	595,890,602	522,251,628
Personal Property	50,059,827	48,320,317	47,967,536	76,696,752
Exemptions	(79,639,741)	(76,102,532)	(77,374,519)	(79,562,131)
Total Property Valuations	\$ 953,338,289	\$ 893,147,280	\$ 856,263,031	\$ 792,010,139
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.140	\$ 0.110	\$ 0.110	\$ 0.090
Debt service tax rates	0.225	0.255	0.255	0.295
Total Tax Rates per \$100 Valuation	\$ 0.365	\$ 0.365	\$ 0.365	\$ 0.385
Adjusted Tax Levy:	\$ 3,479,685	\$ 3,259,988	\$ 3,125,360	\$ 3,049,239
Percentage of Taxes Collected to Taxes Levied **	97.35%	99.72%	99.81%	99.87%

* Maximum Maintenance Tax Rate Approved by Voters: \$0.25 on January 25, 1977

** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2010--by Years
February 29, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 130,000	\$ 18,725	\$ 148,725
2022	135,000	14,175	149,175
2023	135,000	9,450	144,450
2024	135,000	4,724	139,724
	<u>\$ 535,000</u>	<u>\$ 47,074</u>	<u>\$ 582,074</u>

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2013--by Years
February 29, 2020

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2021	\$ 100,000	\$ 85,531	\$ 185,531
2022	105,000	82,906	187,906
2023	110,000	79,231	189,231
2024	115,000	75,381	190,381
2025	115,000	71,356	186,356
2026	120,000	67,331	187,331
2027	125,000	63,131	188,131
2028	130,000	58,756	188,756
2029	135,000	53,556	188,556
2030	145,000	48,156	193,156
2031	150,000	42,356	192,356
2032	155,000	36,356	191,356
2033	160,000	29,768	189,768
2034	170,000	22,968	192,968
2035	175,000	15,531	190,531
2036	180,000	7,875	187,875
	<u>\$ 2,190,000</u>	<u>\$ 840,189</u>	<u>\$ 3,030,189</u>

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2014 Refunding--by Years
February 29, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 530,000	\$ 129,269	\$ 659,269
2022	550,000	116,019	666,019
2023	570,000	102,269	672,269
2024	595,000	85,169	680,169
2025	620,000	67,319	687,319
2026	240,000	48,719	288,719
2027	250,000	41,519	291,519
2028	260,000	34,018	294,018
2029	275,000	26,218	301,218
2030	280,000	17,968	297,968
2031	295,000	9,218	304,218
	<u>\$ 4,465,000</u>	<u>\$ 677,705</u>	<u>\$ 5,142,705</u>

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2015--by Years
February 29, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 210,000	\$ 146,063	\$ 356,063
2022	220,000	141,862	361,862
2023	230,000	137,463	367,463
2024	240,000	130,562	370,562
2025	255,000	123,363	378,363
2026	265,000	115,712	380,712
2027	275,000	107,763	382,763
2028	290,000	99,512	389,512
2029	305,000	90,813	395,813
2030	320,000	81,662	401,662
2031	330,000	72,063	402,063
2032	345,000	61,749	406,749
2033	365,000	50,538	415,538
2034	380,000	38,675	418,675
2035	395,000	26,325	421,325
2036	415,000	13,488	428,488
	<u>\$ 4,840,000</u>	<u>\$ 1,437,613</u>	<u>\$ 6,277,613</u>

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2017 Refunding--by Years
February 29, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 20,000	\$ 112,332	\$ 132,332
2022	20,000	111,780	131,780
2023	20,000	111,228	131,228
2024	20,000	110,676	130,676
2025	160,000	110,124	270,124
2026	570,000	105,708	675,708
2027	595,000	89,976	684,976
2028	620,000	73,554	693,554
2029	650,000	56,442	706,442
2030	685,000	38,502	723,502
2031	710,000	19,596	729,596
	<u>\$ 4,070,000</u>	<u>\$ 939,918</u>	<u>\$ 5,009,918</u>

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
February 29, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 50,000	\$ 31,182	\$ 81,182
2022	55,000	28,932	83,932
2023	55,000	26,732	81,732
2024	55,000	25,630	80,630
2025	60,000	24,532	84,532
2026	60,000	23,256	83,256
2027	60,000	21,906	81,906
2028	65,000	20,330	85,330
2029	65,000	18,544	83,544
2030	70,000	16,756	86,756
2031	70,000	14,656	84,656
2032	75,000	12,556	87,556
2033	75,000	10,306	85,306
2034	80,000	7,962	87,962
2035	80,000	5,362	85,362
2036	85,000	2,762	87,762
	<u>\$ 1,060,000</u>	<u>\$ 291,404</u>	<u>\$ 1,351,404</u>

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2019 Refunding--by Years
February 29, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 190,000	\$ 385,800	\$ 575,800
2022	195,000	378,200	573,200
2023	200,000	370,400	570,400
2024	215,000	362,400	577,400
2025	225,000	353,800	578,800
2026	230,000	344,800	574,800
2027	225,000	335,600	560,600
2028	225,000	326,600	551,600
2029	225,000	317,600	542,600
2030	225,000	308,600	533,600
2031	225,000	299,600	524,600
2032	1,320,000	290,600	1,610,600
2033	1,385,000	237,800	1,622,800
2034	1,450,000	182,400	1,632,400
2035	1,520,000	124,400	1,644,400
2036	1,590,000	63,600	1,653,600
	<u>\$ 9,645,000</u>	<u>\$ 4,682,200</u>	<u>\$ 14,327,200</u>

See accompanying auditors' report.

Cimarron Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
February 29, 2020

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2021	\$ 1,230,000	\$ 908,902	\$ 2,138,902
2022	1,280,000	873,874	2,153,874
2023	1,320,000	836,773	2,156,773
2024	1,375,000	794,542	2,169,542
2025	1,435,000	750,494	2,185,494
2026	1,485,000	705,526	2,190,526
2027	1,530,000	659,895	2,189,895
2028	1,590,000	612,770	2,202,770
2029	1,655,000	563,173	2,218,173
2030	1,725,000	511,644	2,236,644
2031	1,780,000	457,489	2,237,489
2032	1,895,000	401,261	2,296,261
2033	1,985,000	328,412	2,313,412
2034	2,080,000	252,005	2,332,005
2035	2,170,000	171,618	2,341,618
2036	2,270,000	87,725	2,357,725
	<u>\$ 26,805,000</u>	<u>\$ 8,916,103</u>	<u>\$ 35,721,103</u>

See accompanying auditors' report.

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Cimarron Municipal Utility District
TSI-6. Change in Long-Term Bonded Debt
February 29, 2020

	Bond Issue			
	Series 2010	Series 2011	Series 2013	Series 2014 Refunding
Interest rate	3.50% - 4.00%	4.00% - 5.00%	2.00% - 4.375%	2.00% - 3.125%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	3/1/18 - 3/1/24	3/1/19 - 3/1/20	3/1/16 - 3/1/36	3/1/15 - 3/1/31
Beginning bonds outstanding	\$ 660,000	\$ 180,000	\$ 2,285,000	\$ 4,980,000
Bonds retired	(125,000)	(180,000)	(95,000)	(515,000)
Ending bonds outstanding	<u>\$ 535,000</u>	<u>\$ -</u>	<u>\$ 2,190,000</u>	<u>\$ 4,465,000</u>
Interest paid during fiscal year	<u>\$ 23,100</u>	<u>\$ 9,000</u>	<u>\$ 87,790</u>	<u>\$ 139,569</u>
Paying agent's name and city				
Series 2010	Wells Fargo Bank, N.A., Houston, Texas			
Series 2011	Wells Fargo Bank, N.A., Fort Worth, Texas			
Series 2013, 2014 Refunding, 2015, 2017 Refunding, 2017 and 2019 Refunding	Regions Bank, Houston, Texas			
Bond Authority:	Unlimited Tax and Revenue Bonds	Unlimited Tax and Refunding Bonds	Refunding Bonds	
Amount Authorized by Voters	\$ 40,670,000	\$ 10,000,000	\$ 6,000,000	
Amount Issued	(39,345,000)	(9,635,000)	(5,865,390)	
Remaining To Be Issued	<u>\$ 1,325,000</u>	<u>\$ 365,000</u>	<u>\$ 134,610</u>	

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and temporary investment balances as of February 29, 2020:	<u>\$ 2,103,430</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 2,232,569</u>

See accompanying auditors' report.

Bond Issue

Series 2015	Series 2017 Refunding	Series 2017	Series 2019 Refunding	Totals
2.00% - 3.25%	2.76%	2.00% - 4.50%	4.00%	
9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1	
3/1/16 -	3/1/18 -	3/1/18 -	3/1/20 -	
3/1/36	3/1/31	3/1/36	3/1/36	
\$ 5,045,000	\$ 4,090,000	\$ 1,110,000	\$ 9,655,000	\$ 28,005,000
(205,000)	(20,000)	(50,000)	(10,000)	(1,200,000)
<u>\$ 4,840,000</u>	<u>\$ 4,070,000</u>	<u>\$ 1,060,000</u>	<u>\$ 9,645,000</u>	<u>\$ 26,805,000</u>
<u>\$ 150,163</u>	<u>\$ 112,884</u>	<u>\$ 33,431</u>	<u>\$ 418,383</u>	<u>\$ 974,320</u>

Cimarron Municipal Utility District
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Periods

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Water service	\$ 626,240	\$ 584,069	\$ 588,522	\$ 578,926	\$ 571,751
Sewer service	967,426	941,124	949,228	932,590	879,263
Property taxes	1,294,132	978,763	944,956	696,109	534,724
Penalties and interest	59,374	46,559	43,041	53,734	40,445
Tap connection and inspection	507,134	377,337	306,535	184,467	266,009
City of Houston sales tax rebate	853,205	880,830	707,596	709,850	744,205
Regional water authority fees	1,240,787	943,948	863,847	758,006	721,371
Miscellaneous	68,177	22,562	27,195	12,775	13,478
Investment earnings	106,170	79,661	26,698	6,145	4,051
Total Revenues	5,722,645	4,854,853	4,457,618	3,932,602	3,775,297
Expenditures					
Current service operations					
Purchased services	1,016,237	1,062,583	893,494	1,049,280	859,849
Professional fees	139,983	179,487	162,256	168,339	204,102
Contracted services	781,713	631,204	548,678	527,338	483,592
Repairs and maintenance	672,276	650,759	628,483	587,416	569,235
Utilities	116,483	115,709	155,227	123,874	122,867
Regional water authority fees	978,193	602,504	826,308	320,132	361,866
Administrative	113,431	121,090	99,956	118,755	106,362
Other	39,590	28,437	31,707	26,964	16,122
Economic development grant	100,000	100,000	100,000	100,000	100,000
Capital outlay	805,571	558,613	243,860	148,929	
Intergovernmental		350,000			188,109
Total Expenditures	4,763,477	4,400,386	3,689,969	3,171,027	3,012,104
Revenues Over Expenditures	\$ 959,168	\$ 454,467	\$ 767,649	\$ 761,575	\$ 763,193

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
11%	12%	13%	16%	18%
17%	19%	21%	23%	28%
23%	21%	21%	18%	6%
1%	1%	1%	1%	1%
9%	8%	7%	5%	6%
15%	18%	16%	18%	21%
22%	19%	19%	19%	20%
1%	*	1%	*	*
2%	2%	1%	*	*
101%	100%	100%	100%	100%

18%	22%	20%	27%	23%
2%	4%	4%	4%	5%
14%	13%	12%	13%	13%
12%	13%	14%	15%	15%
2%	2%	3%	3%	3%
17%	12%	19%	8%	10%
2%	2%	2%	3%	3%
1%	1%	1%	1%	*
2%	2%	2%	3%	3%
14%	12%	5%	4%	
	7%			5%
84%	90%	82%	81%	80%
17%	10%	18%	19%	20%

Cimarron Municipal Utility District

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Last Five Fiscal Periods

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Property taxes	\$ 2,077,006	\$ 2,262,219	\$ 2,207,799	\$ 2,334,526	\$ 2,215,879
Penalties and interest	31,162	19,648	24,869	14,009	12,636
Accrued interest on bonds sold					13,297
Miscellaneous	4,871	7,527	9,230	19,918	
Investment earnings	40,361	35,148	12,403	3,971	2,221
Total Revenues	2,153,400	2,324,542	2,254,301	2,372,424	2,244,033
Expenditures					
Tax collection services	72,923	60,263	63,272	53,830	58,449
Other		4,612			
Debt service					
Principal	1,200,000	1,150,000	1,145,000	1,005,000	990,000
Interest and fees	957,943	1,053,961	1,029,973	1,108,750	1,059,413
Debt issuance costs		342,219	111,783		1,500
Early extinguishment of debt					
Total Expenditures	2,230,866	2,611,055	2,350,028	2,167,580	2,109,362
Revenues Over/(Under) Expenditures	\$ (77,466)	\$ (286,513)	\$ (95,727)	\$ 204,844	\$ 134,671
Total Active Retail Water Connections	1,667	1,652	1,634	1,611	1,604
Total Active Retail Wastewater Connections	1,577	1,565	1,559	1,546	1,545

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
97%	97%	98%	98%	98%
1%	1%	1%	1%	1%
*	*	*	1%	1%
2%	2%	1%	*	*
100%	100%	100%	100%	100%
3%	3%	3%	2%	3%
	*			
56%	49%	51%	42%	44%
44%	45%	46%	47%	47%
	15%	5%		*
103%	112%	105%	91%	94%
(3%)	(12%)	(5%)	9%	6%

***Cimarron Municipal Utility District
TSI-8. Board Members, Key Personnel and Consultants
February 29, 2020***

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
 District Business Telephone Number: (713) 860-6400
 Submission Date of the most recent District Registration Form
 (TWC Sections 36.054 and 49.054): May 16, 2018
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
 (Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Richard May	5/16 to 5/20	\$ 1,650	\$ 242	President
David F. Jones	5/18 to 5/22	2,700	281	Vice President
David Aitken	5/16 to 5/20	2,250	602	Secretary
John Linn	5/16 to 5/20	6,000	710	Assistant Secretary
Gary Russell	5/18 to 5/22	3,600	362	Assistant Vice President
Consultants				
		<u>Amounts Paid</u>		
Allen Boone Humphries Robinson LLP <i>General legal fees</i>	2003	\$ 86,580		Attorney
Si Environmental, LLC	2012	826,686		Operator
Municipal Accounts & Consulting, LP	2017	35,090		Bookkeeper
Bob Leared Interests	1977	28,281		Tax Collector
Harris County Appraisal District	Legislature	23,296		Property Valuation
Fort Bend Central Appraisal District	Legislature	1,173		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	1996	9,425		Delinquent Tax Attorney
Van De Wiele Engineering, Inc.	1997	91,971		Engineer
McGrath & Co., PLLC	Annual	12,500		Auditor

* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.
 See accompanying auditors' report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No: -N

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