

OFFICIAL STATEMENT DATED JANUARY 19, 2021

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINIONS OF BOND COUNSEL AS TO THE VALIDITY OF THE BONDS AND OF SPECIAL TAX COUNSEL TO THE EFFECT THAT INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS. SEE "LEGAL MATTERS" AND "TAX MATTERS" FOR A DISCUSSION OF THE OPINIONS OF BOND COUNSEL AND SPECIAL TAX COUNSEL.

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

NEW ISSUE – Book Entry Only

S&P Global Ratings (AGM Insured)....."AA"
Moody's Investors Service, Inc. (AGM Insured)....."A1"
Moody's Investors Service, Inc. (Underlying)....."A1"
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."

\$3,055,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102

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

**WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE REFUNDING BONDS,
SERIES 2021**

Dated: February 1, 2021

Due: April 1, as shown on inside cover

The \$3,055,000 Harris County Municipal Utility District No. 102 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2021, are being issued in part as current interest bonds (the "Current Interest Bonds") and in part as premium capital appreciation bonds (the "PCABs," and together with the Current Interest Bonds, the "Bonds"). The Bonds are obligations of Harris County Municipal Utility District No. 102 (the "District") and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Harris County, Texas; the City of Houston, Texas; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Principal of the Bonds is payable to the registered owners of the Bonds (the "Bondholder(s)") at the principal payment office of the Paying Agent/Registrar, initially Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment at maturity or upon prior redemption. Interest on the Current Interest Bonds will accrue from February 1, 2021, and is payable on October 1, 2021, and each April 1 and October 1 thereafter to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date (the "Record Date"). Interest on the PCABs will accrue from the date of delivery, will compound on February 1, 2021, and is payable on October 1, 2021, and each April 1 and October 1 thereafter, and will be payable only at maturity. Unless otherwise agreed between the Paying Agent/Registrar and a Bondholder, such interest is payable by check mailed to such persons or by other means acceptable to such persons and the Paying Agent/Registrar. The Current Interest Bonds are issuable in denominations of \$5,000 of principal amount or any integral multiple thereof in fully registered form only. The PCABs are issuable in denominations of \$5,000 of maturity amount or any integral multiple thereof in fully registered form only.

The Bonds will be initially registered and delivered only to 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 Current Interest Bonds and the maturity amount (the "Maturity Amount") of the PCABs will be paid by the Paying Agent/Registrar, or any successor Paying Agent/Registrar 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. See "THE BONDS – Book-Entry-Only System."

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

The Bonds, when issued, will constitute valid and legally binding obligations of the District, and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property located within the District, and from a pledge of the Net Revenues of the System, if any, as defined herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any entity other than the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS" herein.

The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due will be guaranteed under 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, among other things, to the approval of the Attorney General of Texas; Coats Rose, P.C., Houston, Texas. Bond Counsel; and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel. Certain legal matters will be passed on for the Underwriter by Orrick, Herrington & Sutcliffe LLP, Underwriter's Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about February 25, 2021.

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

\$3,055,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2021

\$1,625,000 Current Interest Bonds

Maturity (April 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (b)	CUSIP No. 414929 (c)	Maturity (April 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (b)	CUSIP No. 414929 (c)
2022 ***	\$45,000 ***	3.000% ***	0.300% ***	KU2 ***	2028	\$390,000	3.000%	0.930%	LA5
					2029 (d)	400,000	2.000%	1.050%	LB3
2027	380,000	3.000%	0.800%	KZ1	2030 (d)	410,000	2.000%	1.210%	LC1

\$1,430,000 Premium Capital Appreciation Bonds (a)

Maturity (April 1)	Principal Amount	Maturity Amount (a)	Initial Reoffering Yield (b)	CUSIP No. 414929 (c)	Maturity (April 1)	Principal Amount	Maturity Amount (a)	Initial Reoffering Yield (b)	CUSIP No. 414929 (c)
2023	\$360,000	\$365,000	0.450%	KV0	2025	\$355,000	\$370,000	0.650%	KX6
2024	355,000	365,000	0.550%	KW8	2026	360,000	370,000	0.800%	KY4

-
- (a) Interest is compounded semiannually and payable only at maturity. The PCABs are not subject to redemption prior to maturity.
- (b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (c) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, 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.
- (d) Bonds maturing on April 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 April 1, 2028, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for 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.

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Coats Rose, P.C. ("Bond Counsel") for further information.

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

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

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INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 102 (the "District") of its \$3,055,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2021, being issued in part as current interest bonds (the "Current Interest Bonds") and in part as premium capital appreciation bonds (the "PCABs," together with the Current Interest Bonds, the "Bonds").

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including without limitation, Chapters 49 and 54 of the Texas Water Code; (ii) elections held within the District on May 10, 1997, May 25, 1981, February 1, 2003, and November 8, 2011; and (iii) a resolution adopted, as amended; by the Board of Directors of the District on the date of sale of the Bonds (the "Bond Resolution").

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046 or during the offering period from the District's Financial Advisor, Robert W. Baird & Co. Incorporated, Attn: Jan Bartholomew, 1331 Lamar Street, Suite 1360, Houston, Texas 77010 upon payment of reasonable copying, mailing, and handling charges.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for any purpose.

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 \$3,184,579.99 (being the par amount of the Bonds, plus a net original issue premium on the Current Interest Bonds of \$154,235.60, less an underwriter's discount of \$30,576.86, and plus a premium of \$5,921.25 on the PCABs), plus accrued interest on the Current Interest Bonds to the date of delivery. The Underwriter's obligation is to purchase all of the Bonds, if any Bonds are purchased.

The following statement is provided by the Underwriter: In accordance with its responsibilities under federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness.

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

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 offer and sale of the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or

otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

MUNICIPAL BOND RATING

The Bonds are expected to receive 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 have received an underlying rating of "A1" by Moody's and in connection with the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Bonds is expected to assign a rating of "A1," such rating is the highest of (1) AGM's financial strength rating; (ii) any published underlying Moody's rating assigned to the Bonds, or (iii) any published enhanced Moody's rating assigned to the Bonds based on a state credit enhancement program.) An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. 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.

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 (or, in the case of Capital Appreciation Bonds, the accreted value) 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 the heading "MUNICIPAL BOND INSURANCE."

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OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE BONDS

- The DistrictHarris County Municipal Utility District No. 102 (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."
- The Bonds.....The District is issuing \$3,055,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2021 (the "Bonds"). The Bonds are being issued, in part, as Premium Capital Appreciation Bonds (the "PCABs") maturing on April 1 in each of the years 2023 through 2026, and, in part, as Current Interest Bonds (the "Current Interest Bonds") maturing on April 1 in the year 2022 and each of the years 2027 through 2030. The PCABs and Current Interest Bonds are collectively referred to herein as the "Bonds." Interest on the Current Interest Bonds accrues from February 1, 2021, at the rates set forth on the inside cover page hereof, and is payable October 1, 2021, and each April 1 and October 1 thereafter until the earlier of stated maturity or redemption. Interest on the PCABs accrues from the date of delivery at the rates set forth on the inside cover page hereof, will compound on October 1, 2021, and on each April 1 and October 1 thereafter, and will be payable only at maturity. See "THE BONDS."
- Redemption Provisions.....The Current Interest Bonds maturing on and after April 1, 2029, are subject to redemption at the option of the District prior to maturity, in whole or from time to time in part, on April 1, 2028, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. The PCABs are not subject to redemption prior to maturity. See "THE BONDS – Redemption Provisions."
- Source of Payment.....Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District. The Bonds are further secured by the pledge of and lien on certain Net Revenues (as defined herein), if any, from the System (as defined herein). (See "THE BONDS—Source of Payment"). The Bonds are obligations of the District, and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any entity other than the District.
- Payment RecordThe District has never defaulted in the timely payment of the principal of or interest on its bonds. See "SELECTED FINANCIAL INFORMATION - Total Outstanding Bonds."
- Authority for Issuance.....The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including without limitation, Chapters 49 and 54 of the Texas Water Code; (ii) elections held within the District on May 10, 1997, May 25, 1981, February 1, 2003, and November 8, 2011; and (iii) a resolution adopted, as amended; by the Board of Directors of the District on the date of sale of the Bonds (the "Bond Resolution").
- Authorized but Unissued Bonds.....After issuance of the Bonds, the District will have \$14,407,000 of bonds which have been authorized by the voters but are unissued. The voters of the District may, in the future authorize the issuance of additional bonds. Refunding bonds do not require voter authorization.
- Plan of Financing.....The proceeds of the Bonds, together with lawfully available funds of the District, if any, will be used to pay issuance costs of the Bonds and to refund \$3,055,000 in principal amount of the \$4,220,000 Waterworks and Sewer

System Combination Unlimited Tax and Revenue Bonds, Series 2011 (the "Refunded Bonds"). 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."

Remaining Outstanding Bonds.....	The following bonds have been previously issued by the District: \$4,220,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011 (the "Series 2011 Bonds"); \$2,000,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2014 (the "Series 2014 Bonds"); and, \$4,300,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2018 (the "Series 2018 Bonds"), of which an aggregate of \$8,930,000 principal amount is currently outstanding (the "Outstanding Bonds"). Following the issuance of the Bonds, \$5,875,000 in principal amount of Outstanding Bonds will remain outstanding (the "Remaining Outstanding Bonds"). See "PLAN OF FINANCING – Remaining Outstanding Bonds."
Municipal Bond Insurance.....	Assured Guaranty Municipal Corp. ("AGM"). See "MUNICIPAL BOND INSURANCE."
Municipal Bond Rating.....	S&P Global Ratings (AGM Insured): "AA." Moody's Investors Service, Inc. (AGM Insured / Underlying): "A1." See "MUNICIPAL BOND RATING."
Qualified Tax-Exempt Obligations.....	The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to the Internal Revenue Code of 1986, as amended, and will represent that it has or will take such action as it deems necessary for the Bonds to constitute "qualified tax-exempt obligations." See "TAX MATTERS - Qualified Tax-Exempt Obligations."
Bond Counsel.....	Coats Rose, P.C., Houston, Texas.
Special Tax Counsel.....	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Underwriter's Counsel.....	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.
Verification Agent.....	Robert Thomas CPA, LLC, Minneapolis, Minnesota. See "THE DISTRICT – Special Consultants Related to Issuance of the Bonds" and "VERIFICATION OF MATHEMATICAL CALCULATIONS."

THE DISTRICT

Description.....	Harris County Municipal Utility District No. 102 of Harris County, Texas (the "District"), created on June 18, 1975, is a political subdivision of the State of Texas, located in the northwestern portion of Harris County, Texas. The District, which contains approximately 827.9051 acres of land, is located in northwest Harris County approximately 22 miles northwest of downtown Houston, Texas, and adjacent to that portion of the corporate limits of the City of Houston (the "City") which surrounds the Addicks Reservoir. The District is bounded on the west by State Highway 6 ("SH 6"), 5.7 miles north of the intersection of SH 6 and Interstate 10 (the "Katy Freeway") and approximately 4 miles south of the intersection of SH 6 and U.S. 290 (the "Northwest Freeway"). West Little York Road bisects the District from east to west.
Status of Development.....	The District contains approximately 827.9051 acres of land and provides water, sanitary sewer, and drainage service to Concord Colony, Jamestown Colony, Yorktown Colony, Langham Creek Colony, Georgetown Colony, Charlestown Colony, Bradford Colony, Concord Bridge Section 6, Concord Bridge North Section 1, Savannah Estates, Maple Trace and the Colonies Commercial Sections 1 and 2. See "THE DISTRICT - Status of Development."
Hurricane Harvey.....	The Houston area, including Harris County, sustained widespread rain and flood damage as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, causing historic levels of rainfall during the succeeding four days. According to the District's Operator, the District's

water distribution system did not sustain any significant damage and there was no interruption of service. However, certain lift stations in the District's wastewater collection system sustained damage and accordingly there was a temporary reduction of sanitary sewer service to the District. According to estimates by the District's Operator, approximately 850 homes within the District representing approximately 29% of the total homes within the District experienced flooding or other damage as a result of Hurricane Harvey. District residents have reported flooding in houses ranging from a few inches to several feet. The flooding within the District was caused by record levels of rainfall in the Langham Creek watershed. Langham Creek is the principal drainage outflow for the District. The District is located within the jurisdiction of the Harris County Flood Control District ("HCFC"). Because of historic rainfall levels, Langham Creek overflowed its banks, which resulted in flooding in portions of the District. The District and HCFC are evaluating the causes and effects of the flooding and any improvements to the system that may be appropriate to further protect from future flood events. See "INVESTMENT CONSIDERATIONS – Hurricane Harvey."

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

INVESTMENT IN THE BONDS IS SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2020 Assessed Taxable Valuation	\$ 516,048,701	(a)
Direct Debt		
The Remaining Outstanding Bonds	\$ 5,875,000	
The Bonds.....	<u>3,055,000</u>	
Total	\$ 8,930,000	
Estimated Overlapping Debt.....	<u>\$ 32,569,712</u>	(b)
Total Direct and Estimated Overlapping Debt.....	\$ 41,499,712	(b)
Direct Debt Ratio:		
As a Percentage of 2020 Assessed Taxable Valuation	1.73	%
Direct and Estimated Overlapping Debt Ratio:		
As a Percentage of 2020 Assessed Taxable Valuation	8.04	%
Debt Service Fund Balance (as of November 23, 2020).....	\$ 368,928	(c)
Operating Fund Balance (as of November 23, 2020).....	\$ 6,286,554	
Capital Projects Fund Balance (as of November 23, 2020).....	\$ 3,174,494	
2020 Tax Rate		
Debt Service.....	\$0.22	
Maintenance and Operations	<u>\$0.33</u>	
Total	\$0.55	
Average Annual Debt Service Requirement (2021–2034).....	\$ 725,422	(d)
Maximum Annual Debt Service Requirement (2026).....	\$ 1,117,006	(d)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement (2021–2034) Based on 2020 Assessed Taxable Valuation at 95% Tax Collections	\$0.15	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement (2026) Based on 2020 Assessed Taxable Valuation at 95% Tax Collections	\$0.23	

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- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2020, provided by the Harris County Appraisal District. See “SELECTED FINANCIAL INFORMATION” and “TAXING PROCEDURES.”
- (b) See “SELECTED FINANCIAL INFORMATION – Estimated 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. See “DEBT SERVICE REQUIREMENTS.”

\$3,055,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102

WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE REFUNDING BONDS,

SERIES 2021

The Official Statement provides certain information in connection with the issuance of the Harris County Municipal Utility District No. 102 (the "District") Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2021, being issued in part as current interest bonds (the "Current Interest Bonds") and in part as premium capital appreciation bonds (the "PCABs," together with the Current Interest Bonds, the "Bonds").

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including without limitation, Chapters 49 and 54 of the Texas Water Code; (ii) elections held within the District on May 10, 1997, May 25, 1981, February 1, 2003, and November 8, 2011; and (iii) a resolution adopted, as amended; by the Board of Directors of the District on the date of sale of the Bonds (the "Bond Resolution").

The Official Statement includes descriptions of the Bonds, the Bond Resolution, and certain information about the District and its financial condition. 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 the District upon request

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution. A copy of the Bond Resolution may be obtained from the District upon request to Coats Rose, P.C., Dallas, Texas, Bond Counsel. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds are dated February 1, 2021. The Bonds are being issued, in part, as PCABs maturing on April 1 in each of the years 2023, 2024, 2025, and 2026, and, in part, as Current Interest Bonds maturing on April 1 in the year 2022 and each of the years 2027 through 2030. Interest on the Current Interest Bonds accrues from February 1, 2021, at the rates set forth on the inside cover page hereof, and is payable October 1, 2021, and each April 1 and October 1 thereafter until the earlier of stated maturity or redemption. Interest on the PCABs accrues from the date of delivery at the rates set forth on the inside cover page hereof, will compound on October 1, 2021, and on each April 1 and October 1 thereafter, and will be payable only at maturity. The Current Interest Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof. The PCABs are fully registered bonds in denominations of \$5,000 or any integral multiple thereof, including both principal and accrued and compounded interest (the "Maturity Amount"). See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" on the inside cover page of this Official Statement.

The Bonds will be initially registered and delivered only to The Depository Trust Company, New York, New York ("DTC") in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Current Interest Bonds and PCABs will be payable by Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the "Paying Agent/Registrar"), the Paying Agent/Registrar to Cede & Co., as registered owner. DTC will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" below.

In the event the Book-Entry-Only System is discontinued and physical bond certificates issued, interest on the Bonds shall be payable by check mailed by the Paying Agent/Registrar on or before each interest payment date, to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owner at the risk and expense of such Registered Owner.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day without additional interest and with the same force and effect as if made on the specified date for such payment.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official

Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be 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.

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 S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual 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.

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Successor Paying Agent/Registrar

The Board has selected Zions Bancorporation, National Association, dba Amegy Bank, Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The initial designated payment office for the Bonds is located in Houston, Texas. Provision is made in the Bond Resolution for removal of the Paying Agent/Registrar, provided that no such removal shall be effective until a successor paying agent/registrar shall have accepted the duties of the Paying Agent/Registrar under the provisions of the Bond Resolution. Any successor paying agent/registrar selected by the District shall be a corporation organized and doing business under the laws of the United States of America or of any state authorized under such laws to exercise trust powers, shall have a combined capital and surplus of at least \$50,000,000, shall be subject to supervision or examination by federal or state authority, shall be registered as a transfer agent with the United States Securities and Exchange Commission and shall have a corporate trust office in the State of Texas.

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 Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/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 Paying Agent/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 Paying Agent/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 Paying Agent/Registrar, for an equal principal amount of Bonds of the same series and 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 Paying Agent/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 Paying Agent/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 Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Funds

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

Yield on Premium Capital Appreciation Bonds

The approximate yields of the PCABs as set forth on inside cover page of this Official Statement are based upon the initial offering price therefor set forth on the inside cover page of this Official Statement. Such offering prices include the principal amount of such PCABs plus premium, if any, equal to the amount by which such offering prices exceed the principal amount of such PCABs. The respective yields on the PCABs to a particular purchaser may differ depending upon the prices paid by the purchaser. For various reasons, securities that do not pay interest periodically, such as the PCABs, have traditionally experienced greater price fluctuations in the secondary market than securities that pay interest on a periodic basis.

Redemption Provisions

Current Interest Bonds maturing on April 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 April 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 Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/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 Paying Agent/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. The PCABs are not subject to optional redemption prior to stated maturity.

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

Authority for Issuance

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including without limitation, Chapters 49 and 54 of the Texas Water Code; (ii) elections held within the District on May 10, 1997, May 25, 1981, February 1, 2003, and November 8, 2011; and (iii) a resolution adopted, as amended; by the Board of Directors of the District on the date of sale of the Bonds (the "Bond Resolution").

Record Date for Interest Payment

Interest on the Bonds will be paid to the registered owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the Record Date and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Source of Payment

The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property within the District, and are further secured by a pledge of Net Revenues (defined below) of the System, all to the extent and subject to the conditions described below.

Tax Pledge: The Board covenants in the Bond Resolution that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax, on all taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the paying of principal of the Bonds when due or the redemption price at any earlier required redemption date, to pay when due any other contractual obligations of the District payable in whole or in part from taxes, and to pay the expenses of assessing and collecting such tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in a special account of the District designated its "Debt Service Fund" for the Bonds.

Net Revenues Pledged: Net Revenues of the System, if any, are pledged in the Bond Resolution to the payment of the Bonds. The Bond Resolution provides for the termination of such pledge when and if one or more cities annex all of the territory within the District and assume all debts, liabilities, and obligations of the District. "Net Revenues" or "Revenues" are defined in the Bond Resolution as the moneys received by the District from the ownership and operation of the District's waterworks, sanitary sewer, drainage and storm sewer system, as well as under specific contracts, after deduction of the reasonable costs of administration, efficient operation, and adequate maintenance of the System. "System" is defined in the Bond Resolution as all of the District's waterworks, sanitary sewer, drainage and storm sewer system presently existing or to be constructed, all additions thereto, and all works, improvements, facilities, plants, equipment, and appliances connected therewith.

Defeasance: The Bond Resolution provides that any Bonds shall be deemed paid and shall no longer be considered a Bond within the meaning of the Bond Resolution when payment of principal of and interest on such Bond to its stated maturity, or, (if notice of redemption shall have been given, irrevocably provided for or duly waived) to the Redemption Date shall have been made or shall have been provided for. Such payment may be provided for by deposit of any combination of (1) money in an amount sufficient to make such payment, (2) non-callable direct or indirect obligations of the United States of America, and (3), to the extent allowed by Texas law, certain obligations issued by or on behalf of any state or political subdivision or municipality thereof and rated "AAA" by Standard & Poor's Corporation and "Aaa" by Moody's Investors Service, Inc. Such municipal obligations must be secured by cash or obligations described in clause (2) above which obligations (a) may be applied only to the payment of principal of (and premium, if any) and interest on such municipal obligations, (b) are, together with interest thereon, sufficient to meet liabilities of such municipal obligations, and (c) are held by an escrow agent or trustee and are not available to satisfy any other claims, including those against such trustee or escrow agent.

Neither the obligations described in clause (2) nor the obligations described in clause (3) above may be subject to redemption. Any such obligations must be certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make the payment to be provided for on the Bonds.

Annexation: Chapter 42, Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any municipality comprises that municipality's extraterritorial jurisdiction ("ETJ"). The size of an ETJ depends in part on the municipality's population. With certain exceptions, a municipality may annex territory only within the confines of its ETJ. When a municipality annexes additional territory, the municipality's ETJ expands in conformity with such annexation.

The District lies within the ETJ of the City of Houston, Texas (the "City"), a home rule municipality. The District may not be annexed for full purposes by the City except as may be specifically authorized by Chapter 43, Local Government Code, as amended. Any authorized annexation is subject to compliance by the City with various requirements of Chapter 43, Local Government Code. Such requirements include the requirement that the City hold an election in the District whereby the qualified voters of the District approve the proposed annexation. Further, if the voters in the area to be annexed do not own more than 50% of the land in the area, a petition signed by more than 50% of the landowners consenting to the annexation is also required. If the District is annexed, the City must assume the District's assets and obligations (e.g., the Bonds and the Remaining Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should the annexation occur.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT - General." After issuance of the Bonds, the District will have \$14,407,000 of unlimited tax and revenue bonds which have been authorized by the voters but are unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District. See "INVESTMENT CONSIDERATIONS - Future Debt."

Before issuing any additional bonds for water, sewer, and drainage facilities, the District would have to obtain approval of the TCEQ for the issuance of such bonds and the projects to be financed thereby. In addition to the abovementioned bonds, the District has the right to issue such additional tax bonds or combination tax and revenue bonds as may be hereafter approved by the voters of the District. The District also has the right to issue revenue notes, bond anticipation notes, and tax anticipation notes without the necessity of voter approval. In addition, the District has the right to enter into contracts and to pledge its taxing power to secure any payments the District is required to make under such contracts, provided the provisions of the contract are approved by the voters of the District. The District further has the right to issue refunding bonds without additional voter approval. The Bond Resolution places no limitation on the amount of additional bonds which may be issued by the District.

The District also is authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purposes. Before the District can issue such bonds, the following actions would be required: (a) amendments to the existing City ordinance specifying the purposes for which the District may issue bonds (b) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (c) approval of master plans and issuance of bonds by the TCEQ; and (d) approval of the bonds by the Attorney General. The Board has not considered calling an election for such purpose at this time.

Strategic Partnership Agreement

The District is authorized to enter into a strategic partnership agreement with the City (i) providing the terms and conditions under which certain services would be provided and funded by the District and the City; and (ii) regarding the District's continued existence upon the full or limited purpose annexation of any land within the District. The terms of any such agreement would be determined by the City and the District, and would be governed by Section 43.0751 of the Texas Local Government Code. The District entered into a Strategic Partnership Agreement with the City effective as of June 18, 2004. Under the terms of the Strategic Partnership Agreement, the City agreed, among other things, not to annex the District for full purposes for a period of thirty (30) years.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and sewer system with the water and sewer systems of the districts with which it is consolidating. The District has no plans to consolidate with any other district.

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.

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.

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

Registered Owners' Remedies

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

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

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PLAN OF FINANCING

Proceeds from the sale of the Bonds, together with other lawfully available District funds, will be used to refund \$3,055,000 principal amount (the "Refunded Bonds") of the District's \$4,220,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011 (the "Series 2011 Bonds"). Proceeds from sale of the Bonds will also be used to pay costs of issuance of the 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 2011 Bonds	
Principal Amount	Maturity Date
\$ 325,000	04/01/2023
340,000	04/01/2024
355,000	04/01/2025
370,000	04/01/2026
390,000	04/01/2027
405,000	04/01/2028
425,000	04/01/2029
<u>445,000</u>	04/01/2030
<u>\$ 3,055,000</u>	

Total Principal Amount of the Refunded Bonds: \$3,055,000

Redemption Date: April 1, 2021

Escrow Agreement

The District will enter into an escrow agreement (the "Escrow Agreement") with Zions Bancorporation, National Association dba Amegy Bank, Houston, Texas (the "Escrow Agent"), pursuant to which a portion of the proceeds of the Bonds, along with cash, and other investments authorized by Chapter 1207, Texas Government Code, 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. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

Remaining Outstanding Bonds

The District has previously issued: \$4,220,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011 (the "Series 2011 Bonds"); \$2,000,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2014 (the "Series 2014 Bonds"), and \$4,300,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2018 (the "Series 2018 Bonds"). At delivery of the Bonds, the following bonds will be outstanding:

	Original Principal Amount	Principal Currently Outstanding	Less: Refunded Bonds	Remaining Outstanding Bonds
Series 2011 Bonds	\$ 4,220,000	\$ 3,665,000	\$ 3,055,000	\$ 610,000
Series 2014 Bonds	2,000,000	1,825,000	-	1,825,000
Series 2018 Bonds	<u>4,300,000</u>	<u>3,440,000</u>	-	<u>3,440,000</u>
	<u>\$ 10,520,000</u>	<u>\$ 8,930,000</u>	<u>\$ 3,055,000</u>	<u>\$ 5,875,000</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 Bonds.....	\$ 3,055,000.00
Net Premium	160,156.85
Debt Service Fund Transfer.....	60,000.00
Accrued Interest on Bonds.....	<u>2,710.00</u>
Total Sources of Funds	\$ 3,277,866.85

USES OF FUNDS:

Deposit with Escrow Agent	\$ 3,118,659.42
Deposit of Accrued Interest to Debt Service Fund.....	2,710.00
Insurance Premium, Issuance Expenses and Underwriter's Discount.....	153,387.29
Additional Proceeds.....	<u>3,110.14</u>
Total Uses of Funds	\$ 3,277,866.85

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THE DISTRICT

Authority

The District, a conservation and reclamation district created by the Texas Water Rights Commission, now the TCEQ, pursuant to Article XVI, Section 59 of the Texas Constitution, on June 18, 1975, operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the TCEQ. The District is located wholly within the extraterritorial jurisdiction of the City.

The District, which contains approximately 827.9051 acres of land, is located in northwest Harris County approximately 22 miles northwest of downtown Houston and adjacent to that portion of the corporate limits of the City of Houston which surrounds the Addicks Reservoir. The District is bounded on the west by State Highway 6 ("SH 6"), 5.7 miles north of the intersection of SH 6 and Interstate 10 (the "Katy Freeway") and approximately 4 miles south of the intersection of SH 6 and U.S. 290 (the "Northwest Freeway"). West Little York Road bisects the District from east to west. See "LOCATION MAP." The District presently serves Concord Colony, Jamestown Colony, Yorktown Colony, Langham Creek Colony, Georgetown Colony, Charlestown Colony, Bradford Colony, Concord Bridge Section 6, Concord Bridge North Section 1, Savannah Estates, Maple Trace, and The Colonies Commercial Sections 1 and 2.

Status of Development

Residential: The District has been developed, with utility facilities and street paving, as 2,546 platted single family lots and 463 townhome lots (649 acres), multi-family (17 acres), and commercial (55 acres) developments. There is no acreage that remains to be developed and approximately 40 acres within the District are undevelopable. As of December 8, 2020, the District had 2,900 active residential connections, 46 inactive residential connections, 1 builder connection, 3 apartment complexes totaling 504 apartment units (16 connections), 33 commercial connections, and 69 miscellaneous connections.

Commercial: Commercial development within the District includes several retail centers, including a Stein Mart, a Big Lots, a Payless Shoes, a Great Southern Music and a Firestone Service Center. Other retail and service establishments include a Chevron Convenience Center, a Citgo Service Station, several restaurants, a Houston Garden Center, a Public Storage, a Kwik Kopy, and dental and various beauty establishments. Retail centers within 2 miles of the District include a Super Walmart, Target, Best Buy, Home Depot, Lowe's, Office Depot, Office Max, Rave Theatres, and several restaurants.

Management of the District

The District is governed by the Board consisting of five directors, who have control over and management supervision of all affairs of the District. All of the Directors own property in the District. The directors serve four-year staggered terms. Elections are held in May of even-numbered years. The current members and officers of the Board are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Randal W. Ward	President	2023
Douglas Jordan	Vice President	2021
Jason A. Iken	Secretary	2023
Robert Moorman	Assistant Secretary	2021
Richard Barbour	Assistant Secretary	2021

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 and secured by collateral authorized by the Act, and in TexPool and TexStar, 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.

Consultants

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

Tax Assessor/Collector: The tax assessor/collector is employed by the Board of Directors of the District. Assessments of the Southwest currently serves the District in this capacity (the "Tax Assessor/Collector").

Bookkeeper: The District's bookkeeper is Myrtle Cruz, Inc.

Auditor: The District engaged McCall Gibson Swedlund Barfoot, PLLC, to audit its financial statements for the fiscal year ended September 30, 2019. Said financial statements are attached hereto as "APPENDIX A."

Engineer: The District's engineer is AEI Engineering, L.L.C., a Baxter & Woodman Company (the "Engineer").

Operator: The District's operator is Municipal District Services, L.L.C. (the "Operator").

Bond Counsel and General Counsel: The District has engaged Coats Rose, P.C., Houston, Texas, as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

Special Tax Counsel: The District has engaged McCall, Parkhurst & Horton LLP, Houston, Texas as Special Tax Counsel.

Financial Advisor: Robert W. Baird & Co. Incorporated is engaged as financial advisor to the District in connection with the issuance of the Bonds (the "Financial Advisor"). The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance 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.

Special Consultants Related to Issuance of the Bonds

Verification Agent: At the time of delivery of the Bonds, Robert Thomas CPA, LLC, Minneapolis, Minnesota 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."

THE SYSTEM

Regulation

Construction and operation of the System serving the District as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the water and sanitary service serving the District. Construction of water, sanitary sewer and storm drainage facilities is subject to the regulatory authority of the District and Harris County. The TCEQ also exercises regulatory jurisdiction over portions of the water and sanitary sewer facilities.

Water, Sanitary Sewer and Drainage System

Proceeds from sale of the District's Outstanding Bonds, together with certain non-reimbursable developer contributions, were used to provide water production facilities, wastewater treatment capacity, and underground water distribution, wastewater collection, and drainage facilities to serve the land within the District (the "System"). The District's System has been designed to be in conformity with the current requirements of the City, Harris County, Texas, and the TCEQ.

Source of Water Supply: The District is served by two water plants located in and operated by the District. Water Plant No. 1 includes two 800 gallon per minute ("gpm") wells, a 240,000 gallon ground storage tank, a 125,000 gallon ground storage tank, two 10,000 gallon hydro-pneumatic tanks and three 1,000 gpm booster pumps. Water Plant No. 2 includes a 1,000 gpm well and a 1,500 gpm well, a 265,000 gallon ground storage tank, a 300,000 gallon ground storage tank, a 500,000 gallon elevated storage tank, two 10,000 gallon hydro-pneumatic tanks, and three 1,000 gpm booster pumps. A portion of the proceeds of the Bonds were used to expand and improve Water Plant No. 2. In addition, the District has emergency water supply interconnects with three neighboring municipal utility districts. In the District Engineer's opinion, the water supply facilities are adequate to serve approximately 3,897 connections within the District. The District is within the Harris-Galveston Subsidence District (the "Subsidence District"). The District is meeting the Subsidence District's requirement by participating in the groundwater reduction plan ("GRP") of the West Harris County Regional Water Authority (the "Authority"). See "THE SYSTEM – Subsidence and Conversion to Surface Water Supply."

Source of Wastewater Treatment: The District is currently served by a 1,300,000 gallon per day ("gpd") wastewater treatment plant which the District owns and operates. According to the District's Engineer, this capacity will be sufficient to serve the future development within the District. A portion of the proceeds of the Bonds are being used to rehabilitate the wastewater collection system in the District.

100-Year Flood Plain

According to the Engineer, approximately 5 acres of the District are within the 100-year flood plain as illustrated by the Flood Insurance Rate Map, dated April 20, 2000, published by the Federal Emergency Management Agency.

Subsidence and Conversion to Surface Water Supply

The District is within the boundaries of the Harris-Galveston Subsidence District’s Regulatory Area 3 which regulates groundwater withdrawal. The District’s authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring the reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in areas within the Subsidence District’s jurisdiction. In 2001, the Texas legislature created the Authority to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County (including the District) and a small portion of Fort Bend County. The Authority has entered into a Water Supply Contract with the City to obtain treated surface water from the City. The Authority has developed a groundwater reduction plan 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 is included within the Authority’s GRP.

The Authority has the power to issue debt supported by the revenues pledged for the payment of its obligations and may establish fees, user fees, rates, charges and special assessments as necessary to accomplish its purposes. The Authority currently charges the District, and other major water users, substantial fees 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 to date revenue bonds to fund, among other things, certain Authority surface water project costs. It is expected that the Authority will continue to issue substantial amounts of bonds by the year 2030 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 to: (i) limit groundwater withdrawals to no more than 70% of the total water demand within the Authority’s GRP beginning January 2010; (ii) limit groundwater withdrawals to no more than 40% of the total water demand within the Authority’s GRP beginning January 2025; and (iii) limit groundwater withdrawals to no more than 20% of the total water demand within the Authority’s GRP beginning January 2035. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a substantial disincentive fee penalty in the amount of \$7.00 per 1,000 gallons (“Disincentive Fees”) imposed by the Subsidence District for any groundwater withdrawn in excess of the applicable percentage of the total water demand within 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 seek 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. The District has constructed improvements to the System to convert to surface water. Additional improvements might be required in the future to complete the District’s conversion to surface water, 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.

DISTRICT BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
05/25/1981	Water, Sewer & Drainage	\$ 10,702,000	\$ 10,700,000	\$ 2,000
05/10/1997	Water, Sewer & Drainage	\$ 4,200,000	\$ 4,200,000	\$ 0
02/01/2003	Water, Sewer & Drainage	\$ 15,000,000	\$ 15,000,000	\$ 0
11/08/2011	Water, Sewer & Drainage	<u>\$ 15,000,000</u>	<u>\$ 595,000</u>	<u>\$ 14,405,000</u>
		\$ 44,902,000	\$ 30,495,000	\$ 14,407,000

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2020 Assessed Taxable Valuation \$ 516,048,701 (a)

Direct Debt

The Remaining Outstanding Bonds	\$	5,875,000
The Bonds.....		<u>3,055,000</u>
Total	\$	8,930,000

Ratio of Gross Debt to 2020 Assessed Taxable Valuation..... 1.73 %

Area of District: approximately 827.9051 acres
Estimated Population: 11,410 (b)

-
- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2020, provided by the Harris County Appraisal District ("HCAD"). See "SELECTED FINANCIAL INFORMATION" and "TAXING PROCEDURES."
 - (b) Based upon 3.5 residents per occupied single-family connection and 2.5 residents per multi-family unit, which at December 8, 2020, totaled 2,900 and 504, respectively.

Cash and Investment Balances

Debt Service Fund Balance (as of November 23, 2020).....	\$	368,928
Operating Fund Balance (as of November 23, 2020).....	\$	6,286,554
Capital Projects Fund Balance (as of November 23, 2020).....	\$	3,174,494

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Estimated Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas, or other 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 as of November 30, 2020	Percent	Overlapping Amount
Cypress-Fairbanks ISD	\$3,214,205,000	0.89%	\$28,575,545
Harris County	1,743,427,125	0.10%	1,779,089
Harris County Department of Education	20,185,000	0.10%	20,356
Harris County Flood Control District	334,270,000	0.10%	347,876
Harris County Toll Road Authority (a)		0.10%	0
Harris County Hospital District	86,050,000	0.10%	89,556
Port of Houston Authority	492,439,397	0.10%	512,506
Lone Star College System	542,290,000	0.23%	<u>1,244,783</u>
Total Estimated Overlapping Debt			\$32,569,712
The District			<u>\$8,930,000</u> (b)
Total Direct & Estimated Overlapping			<u>\$41,499,712</u> (b)
Ratio of Estimated Direct and Overlapping Debt to 2020 Taxable Assessed Valuation			8.04%

(a) Harris County Toll Road Authority debt is considered self-supported debt.

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

Estimated Overlapping Taxes

Taxing Jurisdiction	2020 Tax Rate/ Per \$100 of A.V.
The District	\$0.550000
Cypress-Fairbanks Independent School District	1.355500
Harris County Emergency Service District No. 9	0.059492
Harris County	0.391160
Harris County Flood Control District	0.031420
Harris County Port of Houston Authority	0.009910
Harris County Hospital District	0.166710
Harris County Department of Education	0.004993
Lone Star College System	<u>0.107800</u>
Estimated Total Tax Rate	<u>\$2.676985</u>

Classification of Assessed Valuation

The following represents the types of property comprising the District assessed taxable value for each of the 2016–2020 tax years.

Type of Property	2020 Assessed Taxable Valuation	2019 Assessed Taxable Valuation	2018 Assessed Taxable Valuation	2017 Assessed Taxable Valuation	2016 Assessed Taxable Valuation
Land	\$ 101,809,996	\$ 99,419,974	\$ 99,541,887	\$ 94,666,660	\$ 85,370,623
Improvements	477,766,574	474,052,409	430,514,001	440,084,240	414,147,683
Personal Property	13,452,993	11,779,472	13,999,047	14,711,390	14,259,775
Exemptions	<u>(76,980,862)</u>	<u>(76,238,576)</u>	<u>(66,742,853)</u>	<u>(73,312,021)</u>	<u>(68,514,096)</u>
Total	\$ 516,048,701	\$ 509,013,279	\$ 477,312,082	\$ 476,150,269	\$ 445,263,985

Historical Tax Collections

The following table illustrates the collection history of the District from the 2012-2020 tax years:

Tax Year	Assessed Valuation (a)	Tax Rate	Levy	Current		Total		Fiscal Year Ending
				Amount	%	Amount	%	
2012	\$352,521,492	\$0.7000	\$2,469,631	\$2,447,718	99.11%	\$2,455,948	99.93%	9/30/2013
2013	347,755,232	0.7000	2,450,698	2,432,291	99.25%	2,452,001	99.92%	9/30/2014
2014	377,997,975	0.7000	2,652,048	2,625,208	98.99%	2,621,942	99.90%	9/30/2015
2015	417,749,917	0.6900	2,892,864	2,867,325	99.12%	2,891,022	99.85%	9/30/2016
2016	445,263,985	0.6400	2,849,690	2,829,150	98.83%	2,840,189	99.75%	9/30/2017
2017	476,150,269	0.6400	3,047,362	2,980,585	97.16%	2,998,307	99.76%	9/30/2018
2018	477,312,082	0.6200	2,966,845	2,955,263	99.61%	2,979,999	100.44%	9/30/2019
2019	509,013,279	0.5800	2,952,592	2,921,509	98.95%	3,038,602	102.91%	9/30/2020
2020	516,048,701	0.5500	2,838,268	(b)	(b)	(b)	(b)	9/30/2021

(a) Values may have subsequently been adjusted.
 (b) In process of collection.

Tax Rate Distribution

The following table sets out the components of the District’s tax levy for each of the 2016–2020 tax years.

	2020	2019	2018	2017	2016
Debt Service	\$0.2200	\$0.2300	\$0.2500	\$0.3300	\$0.3500
Maintenance & Operation	0.3300	0.3500	0.3700	0.3100	0.2900
Total	\$0.5500	\$0.5800	\$0.6200	\$0.6400	\$0.6400

Tax Rate Limitation

Debt Service: Unlimited (no legal limit as to rate or amount).
 Maintenance and Operation General:\$0.50 per \$100 assessed taxable valuation.

Maintenance Taxes

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District’s improvements if such maintenance tax is authorized by vote of the District’s electors. The Board is authorized by the District’s voters to levy such maintenance tax in an amount not to exceed \$0.50 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. See “Tax Rate Distribution” above.

Additional Penalties

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

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2020:

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2020 Tax Roll</u>
BRE Retail Residual Owner 1 LLC	Commercial	\$17,889,085
Texas MSI Ltd	Commercial/Multi-Family	17,875,000
Storage Partners Hwy 6 LP	Commercial	6,678,335
PS Texas Holdings Ltd	Commercial	4,354,620
Langham Creek Apartments LLC	Commercial	3,409,092
Roman Properties Inc	Lots & Homes	3,174,900
CenterPoint Energy Houston Electric	Utilities	2,719,080
Festival Properties Inc	Commercial	2,627,697
Copper Plaza LP	Commercial	2,539,630
RMJ Realty LLC	Commercial	2,337,558
		<u>\$63,604,997</u>

Tax Rate Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed taxable valuation that 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 District’s assessed taxable valuation as of January 1, 2020 (\$516,048,701). The calculations assume collection of 95% of taxes levied and the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2021–2034)	\$ 725,422
Debt Service Tax Rate of \$0.15 on the 2020 Assessed Taxable Valuation produces	\$ 735,369
Maximum Annual Debt Service Requirement (2026).....	\$1,117,006
Debt Service Tax Rate of \$0.23 on the 2020 Assessed Taxable Valuation produces	\$1,127,566

Debt Service Fund Management Index

Debt Service Requirements for the calendar year ending December 31, 2021	\$1,117,006 (a)
Debt Service Fund Balance (as of November 23, 2020).....	\$ 368,928
2020 Debt Service Fund Tax Levy @ 95% collections produces.....	\$ <u>1,078,542(b)</u> <u>\$1,447,470</u>

(a) Reflects the debt service requirements after the issuance of the Bonds.
(b) Debt service tax rate at \$0.33/\$100 of the 2018 taxable assessed valuation.

WATER AND SEWER OPERATIONS

General

The Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District and are additionally payable from, and are secured by a pledge of and lien on the Net Revenues described under "THE BONDS - Source of Payment - Net Revenues Pledged," if any, derived from operation of the System. No prediction is made, nor can any assurance be given, that the System will produce Net Revenues available to pay principal of or interest on the Outstanding Bonds.

Rate and Fee Schedule

The Board of Directors of the District establishes rates and fees for water and sewer service. The rates are subject to change from time to time. The following general rates were included in the District's Rate Order dated June 26, 2017.

Water and Sewer

Water Rates - All Users

First 6,000 gallons	\$10.00 (minimum)
6,001 to 12,000 gallons	\$2.00 per 1,000 gallons
12,001 to 20,000 gallons	\$2.50 per 1,000 gallons
All over 20,000 gallons	\$3.00 per 1,000 gallons

Sewer Rates

Single Family Homes	\$23.00 per month flat rate
Townhomes	\$22.00 per month flat rate
Multi-family	\$23.00 per month per unit flat rate
Commercial	\$23.00 per month flat rate plus \$1.00 per 1,000 gallons of water used over 6,000 gallons

Tap Fees

Single Family	\$1,250.00
All Others	By contract with the District but no more than 3 times the District's cost
Non-taxable Entities	District's cost

Sewer Inspection Fee

\$50 for residential users
Cost + 20% for commercial users

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OPERATING STATEMENT

General Fund Operations

The following statement sets forth in condensed form the historical results of operation of the System. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements. Reference is made to such statements for further and complete information.

	<u>Fiscal Year Ended</u>				
<u>Revenues</u>	<u>9/30/20 (a)</u>	<u>9/30/19</u>	<u>9/30/18</u>	<u>9/30/17</u>	<u>9/30/16</u>
Maintenance Tax	\$ 1,765,274	\$ 1,760,492	\$ 1,469,898	\$ 1,286,705	\$ 1,256,781
Sales Tax Revenue	145,000	111,222	143,632	152,104	150,050
Water and Sewer Services	1,680,000	1,613,983	1,635,212	1,686,979	1,590,908
Penalty & Interest	50,000	69,793	56,030	65,792	53,510
Regional Water Authority Fees	972,000	968,561	945,205	892,998	815,094
Tap Connection & Inspection Fee	0	23,120	25,969	27,395	19,200
Investment Revenues	60,000	121,644	62,973	26,207	14,463
Miscellaneous Revenues	0	33,452	31,058	37,146	92,254
Insurance Reimbursements	0	0	83,607	170,095	0
FEMA Reimbursement Total	<u>0</u>	<u>193,895</u>	<u>154,596</u>	<u>270,774</u>	<u>0</u>
TOTAL	\$ 4,672,274	\$ 4,896,162	\$ 4,608,180	\$ 4,616,195	\$ 3,992,260
<u>Expenditures</u>					
Professional Fees	\$ 231,800	\$ 209,749	\$ 221,258	\$ 220,020	\$ 148,091
Purchased and					
Contracted Services	1,317,500	1,258,202	1,205,049	1,196,481	1,160,083
Purchased Water Service	1,063,000	817,992	649,668	753,554	734,915
Utilities	170,000	177,410	241,076	303,985	296,359
Repairs & Maintenance	645,000	754,621	715,436	588,344	765,299
Regional Water Authority					
Assessment	0	171,565	284,297	144,389	114,547
Other Operating Expenditures	635,025	400,108	381,885	322,610	363,227
Capital Outlay	395,000	33,924	21,348	38,146	127,096
Bond Issuance Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	\$ 4,457,325	\$ 3,823,571	\$ 3,720,017	\$ 3,567,529	\$ 3,709,617
Net Revenues					
(Expenditures)	\$ 214,949	\$ 1,072,591	\$ 888,163	\$ 1,048,666	\$ 282,643
Other Financing Sources (Uses)					
Expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Beginning Fund Bal. (Oct. 1)	<u>\$ 6,389,393</u>	<u>\$ 5,316,802</u>	<u>\$ 4,428,639</u>	<u>\$ 3,379,973</u>	<u>\$ 3,097,330</u>
Ending Fund Bal. (Sept. 30)	<u>\$ 6,604,342</u>	<u>\$ 6,389,393</u>	<u>\$ 5,316,802</u>	<u>\$ 4,428,639</u>	<u>\$ 3,379,973</u>

(a) Unaudited as of November 23, 2020.

DEBT SERVICE REQUIREMENTS

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

Calendar Year	Outstanding Debt Service (a)	Less: Refunded Debt Service	The Bonds		Total Debt Service
			Principal	Interest	
2021	\$ 1,136,444	\$ 127,738	-	\$ 27,100	\$ 1,035,806
2022	1,142,119	127,738	\$ 45,000	39,975	1,099,356
2023	1,143,125	446,644	360,000	44,300	1,100,781
2024	1,147,669	448,963	355,000	49,300	1,103,006
2025	1,155,156	450,275	355,000	54,300	1,114,181
2026	1,158,250	450,544	360,000	49,300	1,117,006
2027	1,157,444	454,625	380,000	33,600	1,116,419
2028	622,797	452,478	390,000	22,050	582,369
2029	629,578	454,322	400,000	12,200	587,456
2030	629,744	455,013	410,000	4,100	588,831
2031	173,831	-	-	-	173,831
2032	177,531	-	-	-	177,531
2033	180,725	-	-	-	180,725
2034	178,609	-	-	-	178,609
Total (b)	<u>\$10,633,022</u>	<u>\$ 3,868,338</u>	<u>\$ 3,055,000</u>	<u>\$ 336,225</u>	<u>\$ 10,155,909</u>

(a) Outstanding debt service as of December 1, 2020.

(b) Totals may not sum due to rounding.

Average Annual Debt Service Requirement (2021–2034)	\$ 725,422
Maximum Annual Debt Service Requirement (2026)	\$ 1,117,006

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INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State of Texas; Harris County, Texas; the City; or any political subdivision other than the District, will be secured by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District, and from a pledge of Net Revenues of the System, if any. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See "THE DISTRICT - Status of Development."

Hurricane Harvey

Hurricane Harvey Flooding

The Houston area, including Harris County, sustained widespread rain and flood damage as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, causing historic levels of rainfall during the succeeding four days. According to the District's operator, the District's water distribution system did not sustain any significant damage and there was no interruption of service. However, certain lift stations in the District's wastewater collection system sustained damage and accordingly there was a temporary reduction of sanitary sewer service to the District. According to estimates by the District's Operator, approximately 850 homes within the District representing approximately 29% of the total homes within the District experienced flooding or other damage as a result of Hurricane Harvey. District residents have reported flooding in houses ranging from a few inches to several feet. The flooding within the District was caused by record levels of rainfall in the Langham Creek watershed. Langham Creek is the principal drainage outflow for the District. The District is located within the jurisdiction of the Harris County Flood Control District ("HCFCD"). Because of historic rainfall levels, Langham Creek overflowed its banks, which resulted in flooding in portions of the District. The District and HCFCD are evaluating the causes and effects of the flooding and any improvements to the system that may be appropriate to further protect from future flood events.

Effect on Taxable Value

On or about August 23, 2017, in anticipation of Harvey's landfall, Governor Greg Abbott issued a proclamation declaring a state of disaster in counties located along the Texas Gulf Coast, including Harris County. The assessed value of property is determined annually by HCAD as of January 1, so that damage from Hurricane Harvey would normally not affect taxable values in the District until January 1, 2018. However, the governing body of a taxing unit located within an area declared to be a disaster area by the governor may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. The Board of Directors of the District declined to take any action with regard to requesting a reappraisal of damaged property located within the District. The District cannot predict what impact Hurricane Harvey will have on the assessed value of homes within the District. Such determination will be made by HCAD based on the market value of such homes of the date of the reappraisal for damaged property, and for all property as of January 1, 2018. The appraised market values will be affected by, among other things, the extent to which any damage has occurred and the extent to which it is repaired. Further, there is no assurance that casualty losses in the District will be covered by insurance. Flood casualties are usually excepted from coverage of home insurance unless specific flood insurance is separately purchased.

The District cannot provide assurance that any insurance company will fulfill its obligation to pay insurance proceeds, or, if paid, that property owners will use insurance proceeds to rebuild or repair property damage. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected. Finally, it is not known what impact the effects of Hurricane Harvey will have generally upon the value of property that did not sustain damage. A substantial decrease in the assessed valuation in the District may result in a corresponding increase in the District's tax rate.

Effect on District Debt

The District has outstanding Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011, in the outstanding principal amount of \$3,665,000, Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2014, in the outstanding principal amount of \$1,825,000, and Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2018, in the outstanding principal amount of \$3,440,000; all of which are supported by an unlimited pledge of revenues from ad valorem taxes levied on the taxable property in the District together with Net Revenues, if any, from the operation of the System.

In 2020, the District set a tax of \$0.55 per \$100 assessed value on property within the District, with \$0.33 for operations and maintenance and \$0.22 for debt service. In addition, the tax rates for property within the following jurisdictions for 2020 were as follows: Harris County, Texas, was \$0.391160 per \$100 assessed value; HCFCO was \$0.031420 per \$100 assessed value; Port of Houston Authority was \$0.009910 per \$100 assessed value; Harris County Department of Education was \$0.004993 per \$100 assessed value; Harris County Hospital District was \$0.166710 per \$100 assessed value; Harris County Emergency Service District No. 9 was \$0.059492 per \$100 assessed value; Cypress-Fairbanks Independent School District was \$1.355500 per \$100 assessed value; and Lone Star College System was \$0.107800 per \$100 assessed value; for a total estimated overlapping tax rate of \$2.676985 per \$100 assessed value.

Assessed values in property in the District could decrease because of flood damage reappraisals or in future appraisals because of the extent to which damage is repaired and the timing of repairs, or the effect Hurricane Harvey will have generally upon the value of homes in the District or the region.

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

Economic Factors: Development in the District is substantially complete, but maintenance of taxable values in the District is related to the vitality of the residential housing industry in the Greater Houston Metropolitan Area. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, energy availability, gasoline prices, credit availability and consumer demand.

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The assessed taxable valuation as of January 1, 2020, of all taxable property located within the District is \$516,048,701. See “SELECTED FINANCIAL INFORMATION.”

After issuance of the Bonds, the maximum annual debt service requirement on the Remaining Outstanding Bonds and the Bonds (2026) is \$1,117,006, and the average annual debt service requirement on the Remaining Outstanding Bonds and

the Bonds (2021–2034) is \$725,422. Assuming no decrease to the District’s assessed taxable valuation as of January 1, 2020, tax rates of \$0.23 and \$0.15 per \$100 of assessed taxable valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. In 2020, the District levied a maintenance tax of \$0.33 per \$100 of assessed valuation and a debt service tax of \$0.22 per \$100 of assessed valuation.

Competitive Nature of Residential Housing Market

The housing industry in the metropolitan area of Greater Houston is very competitive, but the District can give no assurance that the building programs which are planned by any homebuilder(s) will be continued or completed. The respective competitive position of the homebuilders listed herein and any other developer or homebuilder(s) which might attempt future home building or development projects in the District, the sale of developed lots or in the construction and sale of single-family residential units, are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Tax Collection Limitations

The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) 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

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

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government’s sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District’s property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners’ Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desired to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because

negotiation is impracticable. Under Texas law, the District must also obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan was confirmed by the bankruptcy court, it could, among other things, affect the Beneficial Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Beneficial Owners' claims against the District.

The District may not be placed into bankruptcy involuntarily.

Marketability

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

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 "Insurance 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 Insurance 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 District, which is recovered by the provider of the Insurance Policy (the "Bond Insurer") 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 Bond 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 Insurance 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. See "MUNICIPAL BOND INSURANCE" and "MUNICIPAL BOND RATING."

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 Issuer 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 “Bond Insurance” herein for further information provided by the Bond Insurer and the Insurance Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Future Debt

The District has the right to issue the remaining \$14,407,000 authorized but unissued unlimited tax and revenue bonds and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue refunding bonds to refund its outstanding Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds and certain other additional bonds, special project bonds, and other obligations. All of the remaining bonds described above which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds and the Outstanding Bonds. See “THE BONDS - Issuance of Additional Debt.”

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

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

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

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

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

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 EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB area under the 1997 Ozone Standard. The court has not responded to EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court’s ruling, the TCEQ has developed a formal request that the HGB area be

redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB area redesignation request under the 1997 Ozone Standards on September 5, 2018.

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ 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.

On August 23, 2019, the EPA reclassified the HGB Area from "moderate" to "serious" under the 2008 Ozone Standard. The attainment date for "serious" nonattainment areas is July 20, 2021 with a 2020 attainment year. Accordingly, the responsible state air agencies must submit SIP revisions and implement controls to satisfy the statutory and regulatory requirements for "serious" areas for the 2008 Ozone Standard.

In response to the Proposed Rule, the TCEQ submitted comments on December 11, 2018 and requested a hearing to provide testimony to the EPA regarding disagreement with the EPA's proposed deadlines for various SIP requirements including the proposed SIP submittal deadline for attainment demonstration and reasonable further progress SIP revisions and the proposed implementation deadline for reasonably available control technology ("RACT"). In the TCEQ's comments, the TCEQ recommended alternative SIP submittal and RACT implementation deadlines to account for the significant time, effort, and resources required for SIP development and to allow affected entities time to comply with the new rule requirements.

The EPA received multiple requests for a public hearing in response to the Proposed Rule and subsequently held a public hearing on February 15, 2019. In addition, the time allowed for public comment was reopened from February 8, 2019 until February 22, 2019.

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

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 demonstrate progress in reducing ozone levels

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and Environmental Protection Agency'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 TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District's inclusion were

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

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

In 2015, the EPA and 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 will officially become final sixty days after its publication in the Federal Register.

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 went into effect on June 22, 2020, and is the subject of ongoing litigation.

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

Changes in Tax Legislation

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

Reappraisal of Property

On November 5, 2019, a Texas Constitutional amendment, effective January 1, 2020, passed and the prior process that gave local taxing jurisdictions the option to request a reappraisal following a disaster was repealed and replaced with an exemption for qualified property that is in a Governor-declared disaster area and at least 15% damaged. Qualified property includes tangible personal property, improvements to real property, and manufactured homes. Eligible individuals must apply within a specified time frame and, if the disaster occurs after taxes are levied, the taxing unit must take action to authorize the exemption. The amount of the exemption is determined by the percentage level of damage and is prorated based on the date of the disaster. The applicable appraisal district must perform a damage assessment and assign a percentage rating to determine the amount of the exemption. Any exemption granted under the new provisions expires the first year the property is reappraised.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS - Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution

to levy such a tax from year-to-year as described more fully herein under "THE BONDS - Source of Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations. See "SELECTED FINANCIAL INFORMATION - Maintenance Tax."

Property Tax Code and County-Wide Appraisal District

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

The Property 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 Harris County Appraisal District (the "Appraisal District"). The Appraisal District has the responsibility of appraising property for all taxing units within Harris County, including the District. Such appraisal values will be subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

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

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent allowed by law. The disabled veteran exemption ranges between \$5,000 and \$12,000, depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption of the full value of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption also applies 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 May 1. The District has not adopted a general homestead exemption.

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

Tax Abatement

Harris County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris 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. At this time, Harris County has not designated any of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property 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 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 fair market value. The Property 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 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 Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for 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 Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all property in the Appraisal District at least once every three years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will

be conducted on a zone or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

District and Taxpayer Remedies

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

The Property Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases. The Property 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, 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 20% penalty for collection costs. A delinquent tax on personal property incurs an additional 20% penalty, 60 days after the date the taxes become delinquent (April 1). 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.

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 "Low Tax Rate Districts." 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 are classified herein as "Other 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.

Low Tax Rate Districts

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

Other Districts

Districts that do not meet the classification of a Low Tax Rate District or a Developed District are classified as Other Districts. The qualified voters of these districts, upon the Other 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 a rollback election is called and passes, the total tax rate for Other 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

The District has determined that its status from the 2020 tax year is that of a Developed District. A determination as to the District's status as a Low Tax Rate District, Developed District or Other District will be made on an annual basis, at the time a district sets its tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new rollback 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.

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 the State of Texas payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, 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 approving legal opinion of Bond Counsel, to a like effect, and to the effect that 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.

Bond Counsel was engaged by the District. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the factual information contained herein. In its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions or sub-captions "SALE AND DISTRIBUTION OF THE BONDS – Securities Laws," "THE BONDS," "THE DISTRICT – General," "TAXING PROCEDURES," "LEGAL MATTERS" (insofar as such section relates to the legal opinion of Bond Counsel), and "CONTINUING DISCLOSURE OF INFORMATION" and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions and sub-captions is an accurate description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Bond Resolution. The legal opinions of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. The customary closing papers,

including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of said Bonds, will also be furnished to the Underwriter by the District.

McCall, Parkhurst & Horton LLP, Houston, Texas, Special Tax Counsel, will also render an opinion to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes; and, as such, interest on the Bonds will not be subject to the alternative minimum tax. In its capacity as Special Tax Counsel, such firm has reviewed the information appearing under the captions or sub-captions "LEGAL MATTERS – Legal Opinions" (insofar as such section relates to the legal opinion of Special Tax Counsel) and "TAX EXEMPTION" herein solely to determine whether such information fairly summarizes the procedures and documents referred to herein and is in accordance with applicable state law with regard to the sale of the Bonds and federal tax law, as applicable.

Bond Counsel and Special Tax Counsel have not independently verified factual information contained in this Official Statement, and such firms have not conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firms' limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the other information contained herein. Bond Counsel will not be responsible in any manner for matters addressed in the opinion of Special Tax Counsel and, likewise, Special Tax Counsel will not be responsible in any manner for matters addressed in the opinion of Bond Counsel. Moreover, Bond Counsel and Special Tax Counsel have no joint responsibility with respect to the Bonds or the proceedings relating to the Bonds. Bond Counsel will be solely responsible for its opinion and Special Tax Counsel will be solely responsible for its opinion. Bond Counsel's and Special Tax Counsel's fees for services rendered with response to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds.

Certain legal matters will be passed upon for the Underwriter by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Underwriter's Counsel.

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

TAX MATTERS

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

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

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross

income retroactively to the date of issuance of the Bonds. The opinion of Special Tax Counsel to the District is conditioned on compliance by the District with such requirements, and Special Tax Counsel to the District has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits

tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

Qualified Tax-Exempt Obligations

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

The District has designated the Bonds as qualified tax-exempt obligations within the meaning of Section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as qualified tax-exempt obligations. Potential purchasers

should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be qualified tax-exempt obligations.

VERIFICATION OF MATHEMATICAL CALCULATIONS

Robert Thomas CPA, LLC, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the funds deposited with the Paying Agent for the Refunded Bonds to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Bonds, and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has made the following agreement for the benefit of the Registered Owners and Beneficial Owners. The District is required to observe this agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events and material events, to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") or any successor to its functions as a repository through the MSRB's system. This information will be publicly available on the MSRB's website at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB via EMMA. The financial information and operating data which will be provided is found in the section titled "SELECTED FINANCIAL INFORMATION" and in "APPENDIX A - Financial Statements of the District." The District will update and provide this information to the Municipal Securities Rulemaking Board (the "MSRB") or any successor to its functions as a repository through its Electronic Municipal Market Access ("EMMA") system within six months after the end of each of fiscal year. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) incurrence of a financial obligation of the District or 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 obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide 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 SEC 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 Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the 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 Undertaking

The District is in compliance in all material respects with all continuing disclosure agreements made during the past five years.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the Developer, the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District, 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 this Official Statement relating to engineering and to the description of the Utility System, and, in particular, that engineering information included in the sections entitled "THE BONDS – Use and Distribution of Bond Proceeds," "THE DISTRICT – Description," "THE DISTRICT – Status of Development," and "THE SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the section captioned "SELECTED FINANCIAL INFORMATION" was provided by the Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of property appraisal.

Certification as to Official Statement

The District, acting by and through its Board 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 Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District 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.

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CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements, and other sources that 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 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 Harris County Municipal Utility District No. 102 as of the date shown on the cover page hereof.

/s/ Randal W. Ward
President, Board of Directors
Harris County Municipal Utility District No. 102

ATTEST:

/s/ Jason A. Iken
Secretary, Board of Directors
Harris County Municipal Utility District No. 102

APPENDIX A
Financial Statements of the District

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2019

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 102
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 102 (the "District"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

December 16, 2019

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Management’s discussion and analysis of Harris County Municipal Utility District No. 102’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$14,448,667 at September 30, 2019.

A portion of the District's net position reflects its net investment in capital assets (land, buildings and equipment as well as water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding).

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 11,133,948	\$ 10,601,451	\$ 532,497
Capital Assets (Net of Accumulated Depreciation)	13,959,747	13,888,953	70,794
Total Assets	<u>\$ 25,093,695</u>	<u>\$ 24,490,404</u>	<u>\$ 603,291</u>
Long-Term Liabilities	\$ 8,846,530	\$ 9,650,019	\$ 803,489
Other Liabilities	1,798,498	1,689,102	(109,396)
Total Liabilities	<u>\$ 10,645,028</u>	<u>\$ 11,339,121</u>	<u>\$ 694,093</u>
Net Position:			
Net Investment in Capital Assets	\$ 7,548,771	\$ 7,324,685	\$ 224,086
Restricted	472,466	479,224	(6,758)
Unrestricted	6,427,430	5,347,374	1,080,056
Total Net Position	<u>\$ 14,448,667</u>	<u>\$ 13,151,283</u>	<u>\$ 1,297,384</u>

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

	<u>Summary of Changes in the Statement of Activities</u>		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,961,570	\$ 3,040,191	\$ (78,621)
Sales Tax Receipts	111,222	143,632	(32,410)
Charges for Services	2,709,091	2,694,599	14,492
Other Revenues	430,261	340,175	90,086
Total Revenues	<u>\$ 6,212,144</u>	<u>\$ 6,218,597</u>	<u>\$ (6,453)</u>
Expenses for Services	4,914,760	5,270,846	356,086
Change in Net Position	\$ 1,297,384	\$ 947,751	\$ 349,633
Net Position, Beginning of Year	13,151,283	12,203,532	947,751
Net Position, End of Year	<u>\$ 14,448,667</u>	<u>\$ 13,151,283</u>	<u>\$ 1,297,384</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2019, were \$10,221,482, an increase of \$388,491 from the prior year.

The General Fund fund balance increased by \$1,072,591, primarily due to service revenues and FEMA reimbursements exceeding operating costs.

The Debt Service Fund fund balance increased by \$67,729, primarily due to debt service payment dates.

The Capital Projects Fund fund balance decreased by \$751,829, primarily due to the use of bond proceeds received in the prior fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$349,330 more than budgeted revenues. Actual expenditures were \$241,209 less than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of September 30, 2019, total \$13,959,747 (net of accumulated depreciation) and include land, buildings and equipment as well as the water, wastewater and drainage systems. Significant capital activity completed during the year included the wastewater disinfection improvement project. Construction in progress includes the ground storage tank rehabilitation and sanitary sewer rehabilitation in North Area B.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 262,059	\$ 262,059	\$
Construction in Progress	122,631	208,527	(85,896)
Capital Assets, Net of Accumulated Depreciation:			
Buildings	40,366	44,042	(3,676)
Water System	6,946,851	7,420,808	(473,957)
Wastewater System	6,208,336	5,558,975	649,361
Drainage System	379,504	394,542	(15,038)
Total Net Capital Assets	\$ 13,959,747	\$ 13,888,953	\$ 70,794

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total long-term debt payable of \$9,750,000. The changes in the debt position of the District during the fiscal year ended September 30, 2019, are summarized as follows:

Bond Debt Payable, October 1, 2018	\$ 10,520,000
Less: Bond Principal Paid	<u>770,000</u>
Bond Debt Payable, September 30, 2019	<u>\$ 9,750,000</u>

The District’s bonds carry an underlying rating of “A1” by Moody’s Investors Service.

The Series 2011 bonds carry an insured rating of “A2” by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

The Series 2014 bonds carry an insured rating of “AA” by virtue of bond insurance issued by Municipal Assurance Corp.

The Series 2018 bonds carry an insured rating of “AA” by virtue of bond insurance issued by Build America Mutual Assurance Company.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 102, c/o Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, TX 77046.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 890,058	\$ 197,393
Investments	5,641,351	214,219
Cash with Paying Agent		161,797
Receivables:		
Property Taxes	38,037	34,578
Penalty and Interest on Delinquent Taxes		
Service Accounts	310,264	
Accrued Interest	37,803	1,459
Other	180,258	
Due from Developers	23,465	
Due from Other Funds	1,605	7,031
Prepaid Costs	92,623	
Due from Other Governments	27,263	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 7,242,727	\$ 616,477

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 3,154,513	\$ 4,241,964	\$	\$ 4,241,964
103,828	5,959,398		5,959,398
	161,797		161,797
	72,615		72,615
		23,150	23,150
	310,264		310,264
1,889	41,151		41,151
	180,258		180,258
	23,465		23,465
	8,636	(8,636)	
	92,623		92,623
	27,263		27,263
		262,059	262,059
		122,631	122,631
		<u>13,575,057</u>	<u>13,575,057</u>
<u>\$ 3,260,230</u>	<u>\$ 11,119,434</u>	<u>\$ 13,974,261</u>	<u>\$ 25,093,695</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2019

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 319,394	\$ 665
Accrued Interest Payable		
Due to Other Governments	101,194	
Due to Other Funds	7,031	
Due to Taxpayers		4,699
Security Deposits	387,678	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	\$ 815,297	\$ 5,364
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 38,037	\$ 34,578
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 92,623	\$
Restricted for Authorized Construction		
Restricted for Debt Service		576,535
Unassigned	6,296,770	
TOTAL FUND BALANCES	\$ 6,389,393	\$ 576,535
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,242,727	\$ 616,477
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 3,071	\$ 323,130	\$	\$ 323,130
		161,797	161,797
	101,194		101,194
1,605	8,636	(8,636)	
	4,699		4,699
	387,678		387,678
		820,000	820,000
		8,846,530	8,846,530
<u>\$ 4,676</u>	<u>\$ 825,337</u>	<u>\$ 9,819,691</u>	<u>\$ 10,645,028</u>
<u>\$ - 0 -</u>	<u>\$ 72,615</u>	<u>\$ (72,615)</u>	<u>\$ - 0 -</u>
\$ 3,255,554	\$ 92,623	\$ (92,623)	\$
	3,255,554	(3,255,554)	
	576,535	(576,535)	
	6,296,770	(6,296,770)	
<u>\$ 3,255,554</u>	<u>\$ 10,221,482</u>	<u>\$ (10,221,482)</u>	<u>\$ - 0 -</u>
<u>\$ 3,260,230</u>	<u>\$ 11,119,434</u>		
		\$ 7,548,771	\$ 7,548,771
		472,466	472,466
		6,427,430	6,427,430
		<u>\$ 14,448,667</u>	<u>\$ 14,448,667</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

Total Fund Balances - Governmental Funds \$ 10,221,482

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 13,959,747

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies became part of recognized revenues in the governmental activities of the District. 95,765

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

Accrued Interest Payable	\$ (161,797)	
Bonds Payable Within One Year	(820,000)	
Bonds Payable After One Year	<u>(8,846,530)</u>	<u>(9,828,327)</u>
Total Net Position - Governmental Activities		<u>\$ 14,448,667</u>

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,760,492	\$ 1,194,771
Sales Tax Receipts	111,222	
Water Service	646,933	
Wastewater Service	967,050	
Regional Water Authority Fees	968,561	
Penalty and Interest	69,793	30,707
Tap Connection and Inspection Fees	23,120	
Investment Revenues	121,644	6,466
Miscellaneous Revenues	33,452	
FEMA Reimbursements	193,895	
	<u>\$ 4,896,162</u>	<u>\$ 1,231,944</u>
TOTAL REVENUES		
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 209,749	\$ 12,944
Contracted Services	1,258,202	69,755
Purchased Water Service	817,992	
Utilities	177,410	
Regional Water Authority Assessments	171,565	
Repairs and Maintenance	754,621	
Depreciation		
Other	400,108	4,796
Capital Outlay	33,924	
Debt Service:		
Bond Principal		770,000
Bond Interest		306,720
	<u>\$ 3,823,571</u>	<u>\$ 1,164,215</u>
TOTAL EXPENDITURES/EXPENSES		
NET CHANGE IN FUND BALANCES	\$ 1,072,591	\$ 67,729
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2018	<u>5,316,802</u>	<u>508,806</u>
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2019	<u>\$ 6,389,393</u>	<u>\$ 576,535</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,955,263	\$ 6,307	\$ 2,961,570
	111,222		111,222
	646,933		646,933
	967,050		967,050
	968,561		968,561
	100,500	2,927	103,427
	23,120		23,120
74,804	202,914		202,914
	33,452		33,452
	193,895		193,895
\$ 74,804	\$ 6,202,910	\$ 9,234	\$ 6,212,144
\$ 860	\$ 223,553	\$	\$ 223,553
	1,327,957		1,327,957
	817,992		817,992
	177,410		177,410
	171,565		171,565
	754,621		754,621
	405,376	788,431	788,431
472	405,376		405,376
825,301	859,225	(859,225)	
	770,000	(770,000)	
	306,720	(58,865)	247,855
\$ 826,633	\$ 5,814,419	\$ (899,659)	\$ 4,914,760
\$ (751,829)	\$ 388,491	\$ (388,491)	\$
		1,297,384	1,297,384
4,007,383	9,832,991	3,318,292	13,151,283
\$ 3,255,554	\$ 10,221,482	\$ 4,227,185	\$ 14,448,667

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net Change in Fund Balances - Governmental Funds	\$ 388,491
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.	6,307
Governmental funds report penalty and interest revenues on property taxes when collected. However, in the government-wide financial statements, revenues are recorded when the penalty and interest are assessed.	2,927
Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(788,431)
Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities.	859,225
Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected.	770,000
Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the debt through fiscal year-end and the current amortized portion of the bond discounts and bond premiums is added to the interest expense.	<u>58,865</u>
Change in Net Position - Governmental Activities	<u>\$ 1,297,384</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 102, located in Harris County, Texas (the “District”) was created by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”), effective June 18, 1975. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct and maintain, parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on August 5, 1975, and the first bonds were sold on April 26, 1977.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

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

Government-Wide Financial Statements

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers these funds to be major funds.

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

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

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost of \$20,000 or more and a useful life of at least two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

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

Pensions

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

Measurement Focus

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

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

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

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	<u>Series 2011</u>	<u>Series 2014</u>	<u>Series 2018</u>
Amount Outstanding – September 30, 2019	\$ 3,950,000	\$ 1,915,000	\$ 3,885,000
Interest Rates	3.50% - 4.50%	3.00% - 4.125%	2.00% – 3.00%
Maturity Dates – Beginning/Ending	April 1, 2020/2030	April 1, 2020/2034	April 1, 2020/2027
Interest Payment Dates	April 1/ October 1	April 1/ October 1	April 1/ October 1
Callable Dates	April 1, 2012*	April 1, 2023*	April 1, 2023*

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 3. LONG-TERM DEBT (Continued)

* Or any date thereafter in such order as the District may determine, callable at par plus unpaid accrued interest in whole or in part at the option of the District. The Series 2014 term bonds maturing on April 1, 2025, April 1, 2027, April 1, 2029, April 1, 2031, and April 1, 2034 are subject to mandatory redemption beginning April 1, 2024, April 1, 2026, April 1, 2028, April 1, 2030, and April 1, 2032, respectively, by lot or other customary random selection method.

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

	October 1, 2018	Additions	Retirements	September 1, 2019
Bonds Payable	\$ 10,520,000	\$	\$ 770,000	\$ 9,750,000
Unamortized Discounts	(91,768)		(8,298)	(83,470)
Unamortized Premiums	(8,213)		(8,213)	
Bonds Payable, Net	\$ 10,420,019	\$ -0-	\$ 753,489	\$ 9,666,530
		Amount Due Within One Year		\$ 820,000
		Amount Due After One Year		8,846,530
		Bonds Payable, Net		\$ 9,666,530

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

Fiscal Year	Principal	Interest	Total
2020	\$ 820,000	\$ 323,594	\$ 1,143,594
2021	850,000	299,169	1,149,169
2022	880,000	273,720	1,153,720
2023	905,000	250,520	1,155,520
2024	935,000	225,731	1,160,731
2025-2029	4,115,000	681,703	4,796,703
2030-2034	1,245,000	121,768	1,366,768
	\$ 9,750,000	\$ 2,176,205	\$ 11,926,205

As of September 30, 2019, the District had authorized but unissued bonds in the amount of \$14,407,000 for utility facilities.

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended September 30, 2019, the District levied an ad valorem debt service tax at the rate of \$0.25 per \$100 of assessed valuation, which resulted in a tax levy of \$1,196,309 on the adjusted taxable valuation of \$478,523,287 for the 2018 tax year. The bond resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for maintenance tax levy.

The District's tax calendar is as follows:

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

NOTE 4. SIGNIFICANT BOND RESOLUTIONS AND LEGAL REQUIREMENTS

- A. The bond resolutions state that any profits realized from or interest accruing on investments shall belong to the fund from which the monies for such investments were taken; provided, however, that at the discretion of the Board of Directors, the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund.
- B. The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each 5th year anniversary of each issue.
- C. The bond resolutions state that the District is required to provide continuing disclosure of certain general financial information and operating data to each nationally recognized municipal securities information repository and the state information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District’s deposits was \$8,384,530 and the bank balance was \$8,626,501. The District was not exposed to custodial risk at year-end.

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

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 890,058	\$ 3,928,694	\$ 4,818,752
DEBT SERVICE FUND	197,393	110,044	307,437
CAPITAL PROJECTS FUND	3,154,513	103,828	3,258,341
TOTAL DEPOSITS	\$ 4,241,964	\$ 4,142,566	\$ 8,384,530

Investments

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

The District invests in the Texas Short Term Asset Reserve Program ("TexSTAR"), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and FirstSouthwest, a Division of Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

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

The District measures investment in certificates of deposit at acquisition cost. As of September 30, 2019, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years	
		Less Than 1	1-5
<u>GENERAL FUND</u>			
TexPool	\$ 1,712,657	\$ 1,712,657	\$
Certificates of Deposit	3,928,694	3,928,694	
<u>DEBT SERVICE FUND</u>			
TexSTAR	104,175	104,175	
Certificates of Deposit	110,044	110,044	
<u>CAPITAL PROJECTS FUND</u>			
Certificates of Deposit	103,828	103,828	
TOTAL INVESTMENTS	\$ 5,959,398	\$ 5,959,398	\$ - 0 -

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2019, the District's investments in TexPool and TexSTAR were rated "AAAm" by Standard and Poor's. The District also manages credit risk by investing in certificates of deposits insured by the FDIC.

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

Restrictions

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019:

	October 1, 2018	Increases	Decreases	September 30, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 262,059	\$	\$	\$ 262,059
Construction in Progress	208,527	859,225	945,121	122,631
Total Capital Assets Not Being Depreciated	<u>\$ 470,586</u>	<u>\$ 859,225</u>	<u>\$ 945,121</u>	<u>\$ 384,690</u>
Capital Assets Subject to Depreciation				
Buildings	\$ 147,041	\$	\$	\$ 147,041
Water System	15,549,037			15,549,037
Wastewater System	12,213,217	945,121		13,158,338
Drainage System	657,224			657,224
Total Capital Assets Subject to Depreciation	<u>\$ 28,566,519</u>	<u>\$ 945,121</u>	<u>\$ - 0 -</u>	<u>\$ 29,511,640</u>
Less Accumulated Depreciation				
Buildings	\$ 102,999	\$ 3,676	\$	\$ 106,675
Water System	8,128,229	473,957		8,602,186
Wastewater System	6,654,242	295,760		6,950,002
Drainage System	262,682	15,038		277,720
Total Accumulated Depreciation	<u>\$ 15,148,152</u>	<u>\$ 788,431</u>	<u>\$ - 0 -</u>	<u>\$ 15,936,583</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 13,418,367</u>	<u>\$ 156,690</u>	<u>\$ - 0 -</u>	<u>\$ 13,575,057</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 13,888,953</u></u>	<u><u>\$ 1,015,915</u></u>	<u><u>\$ 945,121</u></u>	<u><u>\$ 13,959,747</u></u>

The District has financed drainage facilities which have been conveyed to other entities for maintenance.

NOTE 7. MAINTENANCE TAX

On April 3, 1976, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.25 per \$100 of assessed valuation of taxable property within the District. On November 8, 2011, voters of the District approved a maintenance tax not to exceed \$0.50 per \$100 of assessed valuation. During the year ended September 30, 2019, the District levied an ad valorem maintenance tax at the rate of \$0.37 per \$100 of assessed valuation, which resulted in a tax levy of \$1,770,536 on the adjusted taxable valuation of \$478,523,287 for the 2018 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 8. EMERGENCY WATER SUPPLY CONTRACTS

Harris County Municipal Utility District No. 185

On December 17, 1981, the District executed an emergency water supply contract with Harris County Municipal Utility District No. 185 (“District No. 185”). The contract provides that District No. 185 will cause to be constructed an interconnect with the District to be used as an emergency water supply. The term of the agreement was for ten years. On March 23, 1992, the contract was amended to extend the term of the agreement for a period of 40 years. The price to be paid for water delivered shall be the highest rate at which water is supplied by either district to residential customers within its boundaries.

Horsepen Bayou Municipal Utility District

On January 3, 1980, the District executed an emergency water supply contract with Horsepen Bayou Municipal Utility District (“Horsepen Bayou”). The contract provides that Horsepen Bayou will cause to be constructed an interconnect with the District to be used as an emergency water supply. The term of the original agreement was for ten years. Various contract amendments have been made to extend the term of the contract. The contract will expire January 3, 2020. The contract also states that for all water delivered to a district under the terms of this contract, the receiving district shall pay the supplying district an amount equal to the fee, charge or assessment, if any, that is applicable to the water so delivered and that is charged to the supplying district by the West Harris County Regional Water Authority. The districts have chosen not to bill each other for water used.

Harris County Municipal Utility District No. 250

On January 23, 1984, the District entered into a contract with Harris County Municipal Utility District No. 250 (“District No. 250”) to provide for emergency water supply. The contract provides for District No. 250 to construct the interconnect with the District. The contract was supplemented on August 26, 1993, to extend the term of the agreement to January 22, 2004. On March 29, 2005, the District and District No. 250 entered into the Amended and Restated Emergency Water Supply Agreement. The price for water will be the rate charged to residential customers within the boundaries of the supplying district, plus the pumpage fees charged to the supplying district by the West Harris County Regional Water Authority. The term of the agreement is five years and shall continue for additional one-year periods unless terminated by either party giving 120 days written notification.

NOTE 9. JOINT AGREEMENT FOR DRAINAGE FACILITIES

On October 24, 1994, the District and Horsepen Bayou Municipal Utility District (“Horsepen Bayou”) entered into an agreement to share in the construction and operation of a 13.763-acre detention pond. Construction costs including engineering fees, legal fees and permits were shared based on pro-rata capacity allocated to each district. Horsepen Bayou owns 57.60% and the District owns 42.40%. The term of the agreement is 40 years from December 7, 1994 and thereafter year to year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 9. JOINT AGREEMENT FOR DRAINAGE FACILITIES

Horsepen Bayou operates and maintains the detention pond for the benefit of both districts until the detention pond is conveyed to the County. The cost of operating and maintaining the detention pond as well as legal fees shall be shared based on pro-rata capacity allocated to each district. Horsepen Bayou will prepare an annual budget each year and each district will pay its pro-rata share into a separate account maintained by Horsepen Bayou exclusively for the purpose of paying for the cost of operations and maintenance on the detention pond.

NOTE 10. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the West Harris County Regional Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the "Act"), as passed by the 77th Texas Legislature, in 2001. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Authority is overseeing that its participants comply with subsidence district pumpage requirements.

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current fee is \$2.95 per 1,000 gallons of water pumped from each well. The District recorded an expenditure of \$171,565 for fees assessed during the current fiscal year.

The District also recorded an expenditure of \$817,992 for water received from the Authority during the current fiscal year. The current rate is \$3.35 per 1,000 gallons of water received.

On April 1, 2006, the District entered into a Water Delivery Agreement with the Authority whereby the District agreed to allow the Authority to use the District's lines to deliver water to District No. 250. The District receives compensation from the Authority in the form of credits for electricity which are applied against pumpage and/or surface water fees in return for use of the District's lines.

During a prior fiscal year, the District completed the construction of the new disinfection system at their water plant. Upon completion, the District began receiving water from the Authority. Districts receive a reimbursement from the Authority for the cost of the new disinfection systems. The District expended \$954,382 for the design and construction of their project. On December 19, 2008, the District received \$547,875 from the Authority for reimbursement of a portion of the disinfection system. On May 22, 2011, the District received an additional \$152,250 from the Authority for the costs of the disinfection system.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three fiscal years.

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT

Effective June 18, 2004, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and the Act, the City shall annex a tract of land defined as the "Tract" for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Tract within the boundaries of the District. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District.

All taxable property within the District shall not be liable for any present or future debts of the City, and current and future taxes levied by the City shall not be levied on taxable property within the District. Upon the limited-purpose annexation of the Tract, the City's municipal courts shall have jurisdiction to adjudicate criminal cases filed under the Planning, Zoning, Health and Safety Ordinances and State laws. Provisions of the Regulatory Plan adopted by the City will be applicable to the District and the Tract of land within the District. The District's assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period of this agreement. After the Tract is annexed for limited purposes by the City, the qualified voters of the Tract may vote in City elections pursuant to Local Government Code. The City is responsible for notifying the voters within the Tract.

The City imposes a Sales and Use Tax within the boundaries of the Tract upon the limited-purpose annexation of the Tract. The Sales and Use Tax is imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City agreed to pay to the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Tract. The City agreed to deliver to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Comptroller's office.

The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the agreement. During the current fiscal year, the District recorded \$111,222 of revenue related to this agreement, of which \$27,263 was receivable at September 30, 2019.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 13. INTERFUND BALANCES

The General Fund owed the Debt Service Fund (Tax Account) \$3,281 for the over-transfer of maintenance tax collections, the General Fund owed the Debt Service Fund \$3,750 related to a duplicate reimbursement for arbitrage costs, and the Capital Projects Fund owed the General Fund \$1,605 for costs related to capital expenditures approved in the Series 2018 bond issue.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2019

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property Taxes	\$ 1,656,832	\$ 1,760,492	\$ 103,660
Sales Tax Receipts	160,000	111,222	(48,778)
Water Service	825,000	646,933	(178,067)
Wastewater Service	925,000	967,050	42,050
Regional Water Authority Fees	895,000	968,561	73,561
Penalty and Interest	50,000	69,793	19,793
Tap Connection and Inspection Fees		23,120	23,120
Investment Revenues	35,000	121,644	86,644
Miscellaneous Revenues		33,452	33,452
FEMA Reimbursements		193,895	193,895
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	\$ 4,546,832	\$ 4,896,162	\$ 349,330
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 231,300	\$ 209,749	\$ 21,551
Contracted Services	1,307,200	1,258,202	48,998
Purchased Water Service	1,028,200	817,992	210,208
Utilities	185,000	177,410	7,590
Regional Water Authority Assessments		171,565	(171,565)
Repairs and Maintenance	740,000	754,621	(14,621)
Other	573,080	400,108	172,972
Capital Outlay		33,924	(33,924)
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	\$ 4,064,780	\$ 3,823,571	\$ 241,209
NET CHANGE IN FUND BALANCE	\$ 482,052	\$ 1,072,591	\$ 590,539
FUND BALANCE - OCTOBER 1, 2018	<u>5,316,802</u>	<u>5,316,802</u>	<u> </u>
FUND BALANCE - SEPTEMBER 30, 2019	<u>\$ 5,798,854</u>	<u>\$ 6,389,393</u>	<u>\$ 590,539</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2019

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective June 26, 2017.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 10.00	6,000	N	\$ 2.00 2.50 3.00	6,001 to 12,000 12,001 to 20,000 20,001 and up
WASTEWATER:	\$ 23.00		Y		
SURCHARGE:					
Regional Water Authority Fees			N	\$ 3.52*	All

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

Total monthly charges per 10,000 gallons usage: Water: \$18.00 Wastewater: \$23.00 Surcharge: \$35.20 Total \$76.20

* Based on current West Harris County Regional Water Authority surface water rate plus 5%.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>2,959</u>	<u>2,910</u>	x 1.0	<u>2,910</u>
1"	<u>35</u>	<u>35</u>	x 2.5	<u>88</u>
1½"	<u>22</u>	<u>22</u>	x 5.0	<u>110</u>
2"	<u>32</u>	<u>32</u>	x 8.0	<u>256</u>
3"			x 15.0	
4"	<u>4</u>	<u>4</u>	x 25.0	<u>100</u>
6"	<u>2</u>	<u>2</u>	x 50.0	<u>100</u>
8"	<u>1</u>	<u>1</u>	x 80.0	<u>80</u>
10"			x 115.0	
Total Water Connections	<u><u>3,055</u></u>	<u><u>3,006</u></u>		<u><u>3,644</u></u>
Total Wastewater Connections	<u><u>2,993</u></u>	<u><u>2,945</u></u>	x 1.0	<u><u>2,945</u></u>

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

Gallons pumped into system:	58,345,000	Water Accountability Ratio: 93.96% (Gallons billed and sold/Gallons pumped and purchased)
Gallons purchased:	274,674,000	From: West Harris County Regional Water Authority
Gallons billed to customers:	285,862,000	
Gallons sold:	27,052,000	To: Harris County Municipal Utility District No. 250, Harris County Municipal Utility District No. 185, Horsepen Bayou Municipal Utility District

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ's in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

PROFESSIONAL FEES:	
Auditing	\$ 16,300
Engineering	81,739
Legal	<u>111,710</u>
TOTAL PROFESSIONAL FEES	<u>\$ 209,749</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	<u>\$ 817,992</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 23,850
Operations and Billing	306,259
Solid Waste Disposal	513,097
Security	<u>414,996</u>
TOTAL CONTRACTED SERVICES	<u>\$ 1,258,202</u>
UTILITIES:	
Electricity	<u>\$ 177,410</u>
REPAIRS AND MAINTENANCE	<u>\$ 754,621</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 17,400
Dues	650
Election Costs	360
Insurance	47,871
Office Supplies and Postage	49,023
Payroll Taxes	505
Travel and Meetings	3,111
Other	<u>5,566</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 124,486</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

CAPITAL OUTLAY	\$ <u>33,924</u>
OTHER EXPENDITURES:	
Chemicals	\$ 112,501
Laboratory Fees	66,269
Permit Fees	18,333
Inspection Fees	7,139
Regional Water Authority Assessments	171,565
Commission Regulatory Assessments	7,878
Sludge Hauling	<u>63,502</u>
TOTAL OTHER EXPENDITURES	\$ <u>447,187</u>
TOTAL EXPENDITURES	<u>\$ 3,823,571</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
INVESTMENTS
SEPTEMBER 30, 2019

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 1,712,657	\$
Certificate of Deposit	XXXX2870	2.75%	03/22/20	240,000	3,472
Certificate of Deposit	XXXX2498	2.60%	10/22/19	242,224	5,918
Certificate of Deposit	XXXX3058	2.45%	04/23/20	240,000	2,578
Certificate of Deposit	XXXX4311	2.60%	04/21/20	240,000	2,735
Certificate of Deposit	XXXX0399	2.50%	03/22/20	240,000	3,156
Certificate of Deposit	XXXX5622	2.50%	07/15/20	518,654	2,735
Certificate of Deposit	XXXX7951	2.60%	02/11/20	240,000	3,949
Certificate of Deposit	XXXX5581	2.67%	03/17/20	240,000	3,459
Certificate of Deposit	XXXX2373	2.25%	02/07/20	240,000	769
Certificate of Deposit	XXXX0408	2.30%	10/17/19	240,000	5,263
Certificate of Deposit	XXXX2488	2.35%	03/24/20	240,000	2,936
Certificate of Deposit	XXXX6624	2.45%	09/17/20	767,816	670
Certificate of Deposit	XXXX0308	2.75%	09/21/20	<u>240,000</u>	<u>163</u>
TOTAL GENERAL FUND				<u>\$ 5,641,351</u>	<u>\$ 37,803</u>
<u>DEBT SERVICE FUND</u>					
TexSTAR	XXXX3330	Varies	Daily	\$ 104,175	\$
Certificate of Deposit	XXXX1460	2.75%	04/07/20	<u>110,044</u>	<u>1,459</u>
TOTAL DEBT SERVICE FUND				<u>\$ 214,219</u>	<u>\$ 1,459</u>
<u>CAPITAL PROJECTS FUND</u>					
Certificate of Deposit	XXXX1871	2.45%	01/02/20	<u>\$ 103,828</u>	<u>\$ 1,889</u>
TOTAL - ALL FUNDS				<u>\$ 5,959,398</u>	<u>\$ 41,151</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2018	\$	30,572		\$ 35,736
Adjustments to Beginning				
Balance		<u>(2,579)</u>	\$ 27,993	<u>(2,696)</u> \$ 33,040
Original 2018 Tax Levy	\$	1,689,643		\$ 1,141,651
Adjustment to 2018 Tax Levy		<u>80,893</u>	<u>1,770,536</u>	<u>54,658</u> <u>1,196,309</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 1,798,529		\$ 1,229,349
TAX COLLECTIONS:				
Prior Years	\$	11,630		\$ 13,106
Current Year		<u>1,748,862</u>	<u>1,760,492</u>	<u>1,181,665</u> <u>1,194,771</u>
TAXES RECEIVABLE -				
SEPTEMBER 30, 2019		<u>\$ 38,037</u>		<u>\$ 34,578</u>
TAXES RECEIVABLE BY				
YEAR:				
2018		\$ 21,674		\$ 14,644
2017		5,094		5,423
2016		3,833		4,626
2015		2,439		3,171
2014		1,352		1,803
2013 and Prior		<u>3,645</u>		<u>4,911</u>
TOTAL		<u>\$ 38,037</u>		<u>\$ 34,578</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2018	2017	2016	2015
PROPERTY VALUATIONS:				
Land	\$ 99,316,733	\$ 93,424,568	\$ 85,197,706	\$ 82,803,732
Improvements	431,490,696	437,687,552	415,531,027	377,696,251
Personal Property	13,945,499	13,391,314	14,058,895	15,138,212
Exemptions	(66,229,641)	(67,282,040)	(67,495,210)	(56,491,033)
TOTAL PROPERTY VALUATIONS	\$ 478,523,287	\$ 477,221,394	\$ 447,292,418	\$ 419,147,162
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.25	\$ 0.33	\$ 0.35	\$ 0.39
Maintenance**	0.37	0.31	0.29	0.30
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.62	\$ 0.64	\$ 0.64	\$ 0.69
ADJUSTED TAX LEVY*	\$ 2,966,845	\$ 3,054,216	\$ 2,862,671	\$ 2,892,864
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	98.78 %	99.66 %	99.70 %	99.81 %

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

** Maintenance Tax – Maximum tax rate of \$0.25 per \$100 of assessed valuation approved by voters on April 3, 1976. On November 8, 2011, voters of the District approved to increase the maximum tax rate to \$0.50.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

S E R I E S - 2 0 1 1

Due During Fiscal Years Ending September 30	Principal Due April 1	Interest Due April 1/ October 1	Total
2020	\$ 285,000	\$ 164,912	\$ 449,912
2021	300,000	152,088	452,088
2022	310,000	138,588	448,588
2023	325,000	127,738	452,738
2024	340,000	115,550	455,550
2025	355,000	102,376	457,376
2026	370,000	88,176	458,176
2027	390,000	72,912	462,912
2028	405,000	56,338	461,338
2029	425,000	38,619	463,619
2030	445,000	20,026	465,026
2031			
2032			
2033			
2034			
	<u>\$ 3,950,000</u>	<u>\$ 1,077,323</u>	<u>\$ 5,027,323</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

S E R I E S - 2 0 1 4

Due During Fiscal Years Ending September 30	Principal Due April 1	Interest Due April 1/ October 1	Total
2020	\$ 90,000	\$ 69,332	\$ 159,332
2021	95,000	66,631	161,631
2022	95,000	63,782	158,782
2023	100,000	60,932	160,932
2024	105,000	57,931	162,931
2025	115,000	54,783	169,783
2026	120,000	51,331	171,331
2027	125,000	47,131	172,131
2028	130,000	42,756	172,756
2029	140,000	37,881	177,881
2030	145,000	32,630	177,630
2031	150,000	26,831	176,831
2032	160,000	20,831	180,831
2033	170,000	14,231	184,231
2034	175,000	7,219	182,219
	<u>\$ 1,915,000</u>	<u>\$ 654,232</u>	<u>\$ 2,569,232</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

S E R I E S - 2 0 1 8

Due During Fiscal Years Ending September 30	Principal Due April 1	Interest Due April 1/ October 1	Total
2020	\$ 445,000	\$ 89,350	\$ 534,350
2021	455,000	80,450	535,450
2022	475,000	71,350	546,350
2023	480,000	61,850	541,850
2024	490,000	52,250	542,250
2025	500,000	42,450	542,450
2026	515,000	31,200	546,200
2027	525,000	15,750	540,750
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	<u>\$ 3,885,000</u>	<u>\$ 444,650</u>	<u>\$ 4,329,650</u>

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal Interest Due
2020	\$ 820,000	\$ 323,594	\$ 1,143,594
2021	850,000	299,169	1,149,169
2022	880,000	273,720	1,153,720
2023	905,000	250,520	1,155,520
2024	935,000	225,731	1,160,731
2025	970,000	199,609	1,169,609
2026	1,005,000	170,707	1,175,707
2027	1,040,000	135,793	1,175,793
2028	535,000	99,094	634,094
2029	565,000	76,500	641,500
2030	590,000	52,656	642,656
2031	150,000	26,831	176,831
2032	160,000	20,831	180,831
2033	170,000	14,231	184,231
2034	175,000	7,219	182,219
	<u>\$ 9,750,000</u>	<u>\$ 2,176,205</u>	<u>\$ 11,926,205</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Description	Original Bonds Issued	Bonds Outstanding October 1, 2018
Harris County Municipal Utility District No. 102 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2011	\$ 4,220,000	\$ 4,220,000
Harris County Municipal Utility District No. 102 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2014	2,000,000	2,000,000
Harris County Municipal Utility District No. 102 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2018	<u>4,300,000</u>	<u>4,300,000</u>
TOTAL	<u><u>\$ 10,520,000</u></u>	<u><u>\$ 10,520,000</u></u>
Bond Authority:	Tax Bonds*	Refunding Bonds
Amount Authorized by Voters	\$ 53,447,000	\$ - 0 -
Amount Issued	<u>39,040,000</u>	<u> </u>
Remaining to be Issued	<u><u>\$ 14,407,000</u></u>	<u><u>\$ - 0 -</u></u>
Debt Service Fund cash, investments and cash with paying agent balances as of September 30, 2019:		<u><u>\$ 573,409</u></u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u><u>\$ 795,080</u></u>

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

* Included in amount authorized by voters for tax bonds.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding September 30, 2019	Paying Agent
	Principal	Interest		
\$	\$ 270,000	\$ 177,062	\$ 3,950,000	Wells Fargo Bank Texas, N.A.
	85,000	71,881	1,915,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	<u>415,000</u>	<u>57,777</u>	<u>3,885,000</u>	Amegy Bank Houston, TX
<u>\$ - 0 -</u>	<u>\$ 770,000</u>	<u>\$ 306,720</u>	<u>\$ 9,750,000</u>	

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amount		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 1,760,492	\$ 1,469,898	\$ 1,286,705
Sales Tax Receipts	111,222	143,632	152,104
Water Service	646,933	683,990	718,384
Wastewater Service	967,050	951,222	968,595
Regional Water Authority Fees	968,561	945,205	892,998
Penalty and Interest	69,793	56,030	65,792
Tap Connection and Inspection Fees	23,120	25,969	27,395
Investment Revenues	121,644	62,973	26,207
Miscellaneous Revenues	33,452	31,058	37,146
Insurance Reimbursements		83,607	170,095
FEMA Reimbursements	193,895	154,596	270,774
TOTAL REVENUES	\$ 4,896,162	\$ 4,608,180	\$ 4,616,195
EXPENDITURES			
Professional Fees	\$ 209,749	\$ 221,258	\$ 220,020
Contracted Services	1,258,202	1,205,049	1,196,481
Purchased Water Service	817,992	649,668	753,554
Utilities	177,410	241,076	303,985
Regional Water Authority Assessments	171,565	284,297	144,389
Repairs and Maintenance	754,621	715,436	588,344
Other	400,108	381,885	322,610
Capital Outlay	33,924	21,348	38,146
TOTAL EXPENDITURES	\$ 3,823,571	\$ 3,720,017	\$ 3,567,529
NET CHANGE IN FUND BALANCE	\$ 1,072,591	\$ 888,163	\$ 1,048,666
BEGINNING FUND BALANCE	5,316,802	4,428,639	3,379,973
ENDING FUND BALANCE	\$ 6,389,393	\$ 5,316,802	\$ 4,428,639

		Percentage of Total Revenues						
2016	2015	2019	2018	2017	2016	2015		
\$ 1,256,781	\$ 1,123,697	35.8 %	31.9 %	27.8 %	31.4 %	29.1 %		
150,050	155,309	2.3	3.1	3.3	3.8	4.0		
617,988	677,778	13.2	14.8	15.6	15.5	17.6		
972,920	971,550	19.8	20.6	21.0	24.4	25.2		
815,094	767,949	19.8	20.5	19.3	20.4	19.9		
53,510	86,209	1.4	1.2	1.4	1.3	2.2		
19,200	20,370	0.5	0.6	0.6	0.5	0.5		
14,463	7,978	2.5	1.4	0.6	0.4	0.2		
92,254	48,459	0.7	0.7	0.8	2.3	1.3		
			1.8	3.7				
		4.0	3.4	5.9				
<u>\$ 3,992,260</u>	<u>\$ 3,859,299</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>		
\$ 148,091	\$ 204,311	4.3 %	4.8 %	4.8 %	3.7 %	5.3 %		
1,160,083	1,113,633	25.7	26.2	25.9	29.1	28.9		
734,915	734,368	16.7	14.1	16.3	18.4	19.0		
296,359	261,218	3.6	5.2	6.6	7.4	6.8		
114,547	41,208	3.5	6.2	3.1	2.9	1.1		
765,299	421,806	15.4	15.5	12.7	19.2	10.9		
363,227	336,274	8.2	8.3	7.0	9.1	8.7		
127,096		0.7	0.5	0.8	3.2			
<u>\$ 3,709,617</u>	<u>\$ 3,112,818</u>	<u>78.1 %</u>	<u>80.8 %</u>	<u>77.2 %</u>	<u>93.0 %</u>	<u>80.7 %</u>		
\$ 282,643	\$ 746,481	21.9 %	19.2 %	22.8 %	7.0 %	19.3 %		
<u>3,097,330</u>	<u>2,350,849</u>							
<u>\$ 3,379,973</u>	<u>\$ 3,097,330</u>							

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amount		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 1,194,771	\$ 1,565,880	\$ 1,553,484
Penalty and Interest	30,707	32,053	25,529
Investment Revenues	6,466	4,575	3,021
Miscellaneous Revenues	<u> </u>	<u> 289</u>	<u> 918</u>
TOTAL REVENUES	<u>\$ 1,231,944</u>	<u>\$ 1,602,797</u>	<u>\$ 1,582,952</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 86,045	\$ 93,435	\$ 86,054
Debt Service Principal	770,000	1,265,000	1,220,000
Debt Service Interest and Fees	<u>308,170</u>	<u>303,344</u>	<u>354,917</u>
TOTAL EXPENDITURES	<u>\$ 1,164,215</u>	<u>\$ 1,661,779</u>	<u>\$ 1,660,971</u>
NET CHANGE IN FUND BALANCE	\$ 67,729	\$ (58,982)	\$ (78,019)
BEGINNING FUND BALANCE	<u>508,806</u>	<u>567,788</u>	<u>645,807</u>
ENDING FUND BALANCE	<u>\$ 576,535</u>	<u>\$ 508,806</u>	<u>\$ 567,788</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>3,006</u>	<u>3,018</u>	<u>3,004</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>2,945</u>	<u>2,951</u>	<u>2,935</u>

		Percentage of Total Revenues				
<u>2016</u>	<u>2015</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 1,634,241	\$ 1,498,245	97.0 %	97.7 %	98.1 %	98.2 %	98.6 %
28,332	19,714	2.5	2.0	1.6	1.7	1.3
1,841	2,071	0.5	0.3	0.2	0.1	0.1
<u>10</u>				<u>0.1</u>		
<u>\$ 1,664,424</u>	<u>\$ 1,520,030</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 81,294	\$ 83,139	7.0 %	5.8 %	5.4 %	4.9 %	5.5 %
1,170,000	1,130,000	62.5	78.9	77.1	70.3	74.3
<u>402,393</u>	<u>444,336</u>	<u>25.0</u>	<u>18.9</u>	<u>22.4</u>	<u>24.2</u>	<u>29.2</u>
<u>\$ 1,653,687</u>	<u>\$ 1,657,475</u>	<u>94.5 %</u>	<u>103.6 %</u>	<u>104.9 %</u>	<u>99.4 %</u>	<u>109.0 %</u>
\$ 10,737	\$ (137,445)	<u>5.5 %</u>	<u>(3.6) %</u>	<u>(4.9) %</u>	<u>0.6 %</u>	<u>(9.0) %</u>
<u>635,070</u>	<u>772,515</u>					
<u>\$ 645,807</u>	<u>\$ 635,070</u>					
<u>3,010</u>	<u>3,025</u>					
<u>2,942</u>	<u>2,961</u>					

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2019

District Mailing Address - Harris County Municipal Utility District No. 102
c/o Coats Rose, P.C.
9 Greenway Plaza, Suite 1000
Houston, TX 77046

District Telephone Number - (713) 651-0111

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended September 30, 2019	Expense Reimbursements for the year ended September 30, 2019	Title
Randal W. Ward	05/19 05/23 (Elected)	\$ 5,700	\$ 1,550	President
Douglas Jordan	05/17 05/21 (Elected)	\$ 1,950	\$ 208	Vice President
Jason Iken	05/19 05/23 (Elected)	\$ 3,000	\$ 11	Secretary/ Assistant Treasurer
Robert Moorman	05/17 05/21 (Elected)	\$ 4,350	\$ -0-	Assistant Secretary/ Treasurer/ Investment Officer
Richard Barbour	09/18 05/21 (Appointed)	\$ 2,400	\$ -0-	Assistant Secretary

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

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):
May 20, 2019

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on July 28, 2003. Fees of Office are the amounts paid to a Director during the District's current fiscal year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2019

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2019</u>	<u>Title</u>
Coats Rose, P.C.	09/18/80	\$ 99,458 \$ -0-	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	09/21/87	\$ 16,300	Auditor
Myrtle Cruz, Inc.	04/20/95	\$ 27,339	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	02/26/96	\$ 12,494	Delinquent Tax Attorney
AEI Engineering, LLC	04/05/93	\$ 154,007	Engineer
Robert W. Baird & Co. Incorporated	04/27/15	\$ -0-	Financial Advisor
Municipal District Services, LLC	11/30/09	\$ 998,283	Operator
Assessments of the Southwest, Inc.	10/01/03	\$ 46,248	Tax Assessor/ Collector

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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

APPENDIX C

**District Schedule of Accreted Values
For Premium Capital Appreciation Bonds**

<u>Date</u>	<u>PCAB Bond 04/01/2023 0.657486555%</u>	<u>PCAB Bond 04/01/2024 0.897883647%</u>	<u>PCAB Bond 04/01/2025 1.011933189%</u>	<u>PCAB Bond 04/01/2026 0.537814990%</u>
02/25/2021	4,931.51	4,863.01	4,797.30	4,864.86
04/01/2021	4,934.75	4,867.40	4,802.10	4,867.50
10/01/2021	4,951.00	4,889.25	4,826.40	4,880.60
04/01/2022	4,967.25	4,911.20	4,850.85	4,893.70
10/01/2022	4,983.60	4,933.25	4,875.40	4,906.85
04/01/2023	5,000.00	4,955.40	4,900.05	4,920.05
10/01/2023		4,977.65	4,924.85	4,933.30
04/01/2024		5,000.00	4,949.75	4,946.55
10/01/2024			4,974.80	4,959.85
04/01/2025			5,000.00	4,973.20
10/01/2025				4,986.55
04/01/2026				5,000.00