OFFICIAL STATEMENT DATED JANUARY 5, 2021

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL AS TO THE VALIDITY OF THE BONDS AND 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 OPINION OF BOND COUNSEL.

The District has designated the Bonds as "qualified tax-exempt obligations" for purposes of the calculation of interest expense by financial institutions which may own the Bonds. See "TAX MATTERS -- Qualified Tax-Exempt Obligations for Financial Institutions."

NEW ISSUE
BOOK-ENTRY ONLY
CUSIP Base No. 736278

RATINGS: (S&P–AGM) "AA" (stable outlook)
(Moody's–AGM) "A2" (stable outlook)
(See "BOND INSURANCE" herein)
(Moody's–underlying) "A2"

PORTER MUNICIPAL UTILITY DISTRICT

(A political subdivision of the State of Texas located within Montgomery County, Texas)

$5,355,000

UNLIMITED TAX REFUNDING BONDS, SERIES 2021

Bonds Dated: January 1, 2021 **Due: March 1, as shown on inside cover**

The $5,355,000 Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds") are obligations solely of Porter Municipal Utility District (the "District") and are not obligations of the State of Texas; Montgomery County, Texas; the City of Houston, Texas; the City of Conroe, Texas; or any other political subdivision or agency. See "THE BONDS--Source of and Security for Payment."

Interest on the Bonds will accrue from January 1, 2021 and will be payable March 1 and September 1 of each year, commencing March 1, 2021 (two-month payment), and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are issuable only in fully registered form in principal denominations of $5,000 or integral multiples thereof initially registered solely in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds, until DTC resigns or is discharged. **The Bonds initially will be available to purchasers in book-entry form only.** So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, the Bonds shall be payable to Cede & Co., which will in turn, remit such amount to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS--Book-Entry-Only System."

Principal of and redemption price for the Bonds are payable by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check mailed on or before the interest payment date to registered owners shown on the records of the Paying Agent/Registrar (the "Registered Owners") on the fifteenth day of the month preceding each interest payment date 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 the Registered Owner. See "THE BONDS--Description."

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

ASSURED GUARANTY® MUNICIPAL

SEE INSIDE COVER PAGE FOR MATURITY SCHEDULE

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 within the District, all as defined in the order authorizing the issuance of the Bonds. See "THE BONDS--Source of and Security for Payment." **THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AS SET FORTH IN THIS PRELIMINARY OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY REVIEW THE ENTIRE PRELIMINARY OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISION. PARTICULAR ATTENTION SHOULD BE GIVEN TO THE INFORMATION SET FORTH IN THIS PRELIMINARY OFFICIAL STATEMENT UNDER THE CAPTION "RISK FACTORS."**

The Bonds will be delivered when, as and if issued by the District and accepted by the initial purchaser of the Bonds (the "Underwriter"), subject among other things to the approval of the Bonds by the Attorney General of the State of Texas and by the approval of certain legal matters by Young & Brooks, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Underwriter's Counsel. Delivery of the Bonds is expected through the facilities of DTC on February 9, 2021.

SAMCO Capital

MATURITY SCHEDULE

Bonds Dated: January 1, 2021 **Due: March 1, as shown below**

Maturity	*Amount*	*Interest Rate*	*Initial Yield(a)*	*CUSIP (b)*	*Maturity*	*Amount*	*Interest Rate*	*Initial Yield(a)*	*CUSIP (b)*
2021	$200,000	3.000%	0.250%	736278KW1	2025	$740,000	3.000%	0.520%	736278LA8
2022	655,000	3.000%	0.300%	736278KX9	2026	765,000	3.000%	0.650%	736278LB6
2023	675,000	3.000%	0.360%	736278KY7	2027(c)	800,000	2.000%	0.800%	736278LC4
2024	700,000	3.000%	0.420%	736278KZ4	2028(c)	820,000	2.000%	0.920%	736278LD2

(a) Initial yield represents the initial reoffering yield to the public which has been established by the Underwriter for public offerings and which subsequently may be changed. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from January 1, 2021 is to be added to the price.

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

(c) Bonds maturing on or after March 1, 2027, are subject to redemption prior to maturity at the option of the District, as a whole or, from time to time, in part, on March 1, 2026, or on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS--Redemption of Bonds."

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 "BOND INSURANCE" and "APPENDIX B–Specimen Municipal Bond Insurance Policy."

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USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the District or the Underwriter 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 is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Young & Brooks, 10000 Memorial Drive, Suite 260, Houston, Texas 77024-3430 upon payment of duplication costs.

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

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 offering document.

SALE AND DISTRIBUTION OF THE BONDS

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter prior to delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. Otherwise, the District has no understanding with the Underwriter or control regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the sole responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Securities Laws

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

Underwriter

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the "Underwriter") pursuant to a bond purchase agreement with the District (the "Bond Purchase Agreement") at a price of $5,679,188.15 (being the par amount of the Bonds, plus a net premium on the Bonds of $364,691.95 less an underwriter's discount of $40,503.80, plus accrued interest on the Bonds to the date of delivery. The obligation of the Underwriter to purchase the Bonds is subject to certain conditions contained in the Bond Purchase Agreement.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the inside cover page hereof. The initial offering price may be changed from time to time by the Underwriter within the guidelines prescribed by applicable laws and regulations of the United States Securities and Exchange Commission.

Municipal Bond Rating

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign its municipal rating of "AA" (stable outlook) to the Bonds and Moody's Investors Service, Inc. ("Moody's") is expected to assign its municipal rating of "A2" (stable outlook) to the Bonds, both as a result of a municipal bond insurance policy issued by Assured Guaranty Municipal Corp. at the time of delivery of the Bonds (see "BOND INSURANCE" and "APPENDIX B–Specimen Municipal Bond Insurance Policy"). An explanation of the significance of such rating may be obtained from S&P and Moody's. The ratings reflects only the views of S&P and Moody's and the District makes no representation as to the appropriateness of such ratings.

In connection with the sale of the Bonds, the District made application to Moody's, which has assigned a rating of "A2" to the Bonds. An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's and the District makes no representation as to the appropriateness of such rating.

The District can make no assurance that the S&P or Moody's ratings will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P or Moody's if in the judgment of S&P or Moody's circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

SUMMARY

The following information is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement, reference to which is made for all purposes. This summary should not be detached and should be used in conjunction with more complete information contained herein.

- The District -

Description	Porter Municipal Utility District (the "District") was created by the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (the "TCEQ"), on June 2, 1978, and operates pursuant to Chapters 49 and 54 of the Texas Water Code. The creation of the District was confirmed by election held within the District on August 12, 1978. The District is located entirely within Montgomery County, approximately 24 miles northeast of the central business district of the City of Houston along U.S. Highway 59 which traverses the District north to south. See "THE DISTRICT."
Authority	The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT-Authority."
Development Within The District	The District contains approximately 4,001.7 acres of land of which approximately 810 acres lie within the 100-year flood plain of White Oak Creek and Bens Branch. The District is wholly within the extraterritorial jurisdiction of the Cities of Houston and Conroe. As of November 1, 2020, there were 3,165 single family, 2,272 multi-family and 347 commercial connections to the District's sewer system. Development within the District consists primarily of residential growth in various subdivisions throughout the District and commercial activity concentrated primarily among the U.S. Highway 59 corridor. Commercial development within the District consists of several strip centers. See "THE DISTRICT - Status of Development."
Infectious Disease Outlook (COVID-19)	The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the "President") declared the Pandemic a national emergency and the Texas Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the "disaster declarations"). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

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

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

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

- The Bonds -

Authority for Issuance — The District's $5,355,000 Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds") are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54, Texas Water Code, as amended and Chapter 1207, Texas Government Code, as amended. See "THE BONDS--Authority for Issuance."

Description — The Bonds are dated January 1, 2021. The Bonds bear interest from such date at the rates per annum set forth on the inside cover page hereof, which interest is payable March 1, 2021 (two-month payment) and each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds mature serially on March 1 in the years 2021 through 2028, both inclusive. The Bonds maturing on and after March 1, 2027, are subject to optional redemption at the option of the District on any date on or after March 1, 2026, at a price of par plus accrued interest to the date of redemption. See "THE BONDS — Description" and " — Optional Redemption."

Source of Payment — Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against taxable property within the District. The Bonds are obligations of the District and are not obligations of Montgomery County, the City of Houston, the City of Conroe, the State of Texas or any political subdivision other than the District. See "THE BONDS — Source of and Security for Payment."

Use of Proceeds — Proceeds of the Bonds will be used to currently refund the callable outstanding portions of the District's Unlimited Tax Refunding Bonds, Series 2010 and Unlimited Tax Refunding Bonds, Series 2012 (collectively, the "Refunded Bonds") and to pay the costs of issuance of the Bonds. See "THE BONDS — Use of Proceeds."

Payment Record — The District has never defaulted on the payment of any bonded indebtedness. See "DISTRICT DEBT."

Qualified Tax-Exempt Obligations	The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and represents that the total amount of tax-exempt bonds (including the Bonds) issued by it during the calendar year 2021 is not reasonably expected to exceed $10,000,000. See "TAX MATTERS--Qualified Tax-Exempt Obligations for Financial Institutions."
Book-Entry Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal and interest on the Bonds will be payable by the UMB Bank n.s., Houston, Texas, the initial Paying Agent/Registrar, to Cede & Co. and Cede & Co. will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "THE BONDS--Book-Entry Only System").
Bond Counsel	Young & Brooks, Houston, Texas, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."
Underwriter's Counsel	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Verification Agent	Ritz & Associates PA, A Professional Association, Bloomington, Minnesota.
Financial Advisor	Blitch Associates, Inc., Houston, Texas.
Municipal Bond Rating	The District made application to Moody's Investors Service, Inc., which has assigned a rating of "A2" to the Bonds based upon the District's underlying credit. See "SALE AND DISTRIBUTION OF THE BONDS–Municipal Bond Rating."
Municipal Bond Rating and Municipal Bond Insurance	S&P is expected to assign a municipal rating of "AA" (stable outlook) and Moody's is expected to assign a municipal rating of "A2" (stable outlook), both as a result of a municipal bond insurance policy issued by Assured Guaranty Municipal Corp. See "SALE AND DISTRIBUTION OF THE BONDS–Municipal Bond Rating," "BOND INSURANCE" and "APPENDIX B–Specimen Municipal Bond Insurance Policy."

RISK FACTORS

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

- Financial Highlights -
(Unaudited)

2020 Taxable Assessed Valuation (100% of Market Value)		$686,053,516	(a)
Direct Debt			
Outstanding Bonds (As of December 1, 2020)		$24,035,000	
Less: The Refunded Bonds		(5,390,000)	
The Bonds		5,355,000	
Total Direct Debt		$24,000,000	
Estimated Overlapping Debt		91,351,566	(b)
Direct and Estimated Overlapping Debt		$115,351,566	
Direct Debt Ratios:			
Direct Debt to Value		3.50%	
Direct & Estimated Overlapping Debt to Value		16.81%	
2020 Tax Rate per $100 of Assessed Value			
Debt Service		$0.270	
Maintenance		0.170	
Total		$0.440	
	Current	***Total***	
2019 Tax Collection Percentage	98.29%	99.12%	
Five-Year Average (2015/2019) Collection Percentage	98.20%	99.64%	
Average Annual Debt Service Requirements (2021/38)		$1,800,151	
Maximum Annual Debt Service Requirements (2029)		$1,880,138	
Tax Rate Required to pay such Requirements at 98% Collection			
Average (2021/2038)		$0.268	
Maximum (2029)		$0.280	
Fund Balances as of November 17, 2020 (Cash & Investments)			
General Fund		$7,978,586	
Debt Service Fund		$1,987,690	
Capital Projects Fund		$18,356,983	

(a) Certified by the Montgomery Central Appraisal District ("Appraisal District"). See "TAX PROCEDURES."
(b) See "DISTRICT DEBT--Estimated Overlapping Debt."

PORTER MUNICIPAL UTILITY DISTRICT

(A political subdivision of the State of Texas located within Montgomery County, Texas)

$5,355,000

UNLIMITED TAX REFUNDING BONDS, SERIES 2021

This Preliminary Official Statement of Porter Municipal Utility District (the "District") is provided to furnish certain information with respect to the sale by the District of its $5,355,000 Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds"). The Bonds are secured solely by ad valorem taxes levied on property located within the District and are not obligations of the State of Texas (the "State"); Montgomery County, Texas; the City of Houston, Texas; the City of Conroe, Texas; or any other political subdivision or agency.

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas and an order authorizing the issuance of the Bonds (the "Order") adopted by the Board of Directors of the District (the "Board"); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and Chapter 1207, Texas Government Code, as amended. In the Order, the Board delegated pricing of the Bonds and certain other matters to an "Authorized Officer" who will approve and execute an "Approval Certificate" which will complete the sale of the Bonds (the Order and the Approval Certificate are jointly referred to as the "Bond Order"). See "THE BONDS."

This Official Statement includes descriptions of the Bonds, the Bond Order and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document, copies of which may be obtained by contacting the District, c/o Young & Brooks, 10000 Memorial Drive, Suite 260, Houston, Texas 77024-3430.

THE BONDS

Description

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. A copy of the Bond Order may be obtained upon request to the District and payment of the applicable copying charges.

The Bonds will mature on March 1 in the years and in principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable on March 1, 2021, and semiannually thereafter on each March 1 and September 1 until the earlier of maturity or redemption. Principal of and interest on the Bonds will be payable to Cede & Co. as registered owner (a "Registered Owner") and nominee of the Depository Trust Company, New York, New York ("DTC"), acting as security depository for the Bonds, by the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, (the "Paying Agent/Registrar"). Cede & Co. will make distribution of the principal and interest so paid to the beneficial owners of the Bonds. For so long as DTC shall continue to serve as securities depository for the Bonds, all transfers of beneficial ownership interest will be made by Book-Entry-Only and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of the Bonds is to receive, hold or deliver any Bond certificate.

If at any time, DTC ceases to hold the Bonds as securities depository, then principal of the Bonds will be payable to the Registered Owner at maturity or redemption upon presentation and surrender at the principal payment office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to the Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th day of the month next preceding the interest payment date (the "Record Date").

The Bonds of each maturity will be issued in fully-registered form only in principal amounts of $5,000 or any integral multiple thereof.

If the specified date for any payment of principal (or redemption price) or interest on the Bonds shall be a Saturday, Sunday or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the City of Houston, Texas, such payment may be made on the next succeeding date which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payments.

Use of Proceeds

Proceeds of the Bonds will be used to currently refund the outstanding callable portions of the District's Unlimited Tax Refunding Bonds, Series 2010 ("Series 2010 Bonds") and Unlimited Tax Refunding Bonds, Series 2012 ("Series 2012 Bonds") (collectively, the "Refunded Bonds") and to pay the costs of issuance of the Bonds. The Refunded Bonds consist of the following:

	Series 2010				Series 2012	
Maturity	***Amount***	***Rate***		***Maturity***	***Amount***	***Rate***
2021	$160,000	3.500	(a)	2022	$485,000	3.500%
2022	170,000	3.500	(a)	2023	500,000	3.500%
2023	175,000	3.750	(b)	2024	610,000	3.500%
2024	95,000	3.750	(b)	2025	750,000	3.500%
				2026	780,000	3.500%
				2027	815,000	3.500%
				2028	850,000	3.500%
Totals	$600,000				$4,790,000	
Call Date	February 10, 2021				March 1, 2021	

(a) Represents sinking fund redemption payment for term bond maturing on March 1, 2022.
(b) Represents sinking fund redemption payment for term bond maturing on March 1, 2024.

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

Sources:	
Par Amount	$5,355,000.00
Reoffering Premium	364,691.95
Accrued Interest	15,247.50
Total Sources	$5,734,939.45
Uses:	
Escrow for Refunding	$5,483,398.13
Underwriter's Discount	40,503.80
Insurance Premium	18,223.05
Costs of Issuance	176,300.00
Deposit to the Debt Service Fund	16,514.47
Total Uses	$5,734,939.45

Refunded Bonds

In the Bond Order, the District will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Bonds from an escrow held by the Paying Agent/Registrar and disbursed to the paying agent for the Series 2010 Bonds, Wells Fargo Bank, N.A., Houston, Texas and the paying agent for the Series 2012 Bonds, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (collectively, the "Paying Agents for the Refunded Bonds").

Proceeds from the sale of the Bonds will be used to refund the Refunded Bonds in order to lower the District's overall debt service and to pay costs of issuing the Bonds. The Refunded Bonds and the interest due thereon are to be paid on the date of redemption from funds to be deposited with the Paying Agents for the Refunded Bonds.

The Bond Order provides that from a portion of the proceeds of the sale of the Bonds to the Underwriter listed on the cover page hereof, together with other legally available funds of the District, if any, the District will deposit with the Paying Agents for the Refunded Bonds, the amount necessary to accomplish the discharge and final payment of the Refunded Bonds.

Escrow Agreement

The District will enter into an escrow agreement (the "Escrow Agreement") with The Bank of New York Mellon Trust, Company, N.A., Dallas, Texas (the "Escrow Agent"), pursuant to which a portion of the proceeds of the Bonds, and other available funds of the District, will be deposited in cash or invested in certain securities of the United States of America (the "Escrowed Securities") and held in an escrow fund (the "Escrow Fund") to provide for scheduled payments of principal of and interest on the Refunded Bonds until their maturity or redemption dates. At the time of delivery of the Bonds, Ritz & Associates PA will verify to the District, the Escrow Agent, Bond Counsel, and the Underwriter that the Escrow Fund is sufficient in principal amount to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

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

Registration and Transfer

The Bonds will be transferable only on the bond register kept by the Paying Agent/Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal aggregate principal of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the principal office of the Paying Agent/Registrar in Dallas, Texas. No service charge will be made for any registration, transfer or exchange of Bonds, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. Neither the District nor the Paying Agent/Registrar is required to issue, transfer or exchange any Bond during the 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 15 calendar days prior to the date of the first mailing of any notice of redemption and ending at the close of business on the date of such mailing, or to transfer or exchange any Bond called for redemption during the forty-five (45) day period prior to the date fixed for redemption of such Bond.

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds maturing on and after March 1, 2027, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on March 1, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds of a maturity are to be redeemed, the Paying Agent/Registrar (or DTC if the Bonds are held in the Book-Entry-Only System) shall select by lot those Bonds to be redeemed.

At least thirty (30) days prior to the date fixed for any such redemption, and except as otherwise provided while the Bonds are held in the Book-Entry-Only System, a written notice of such redemption shall be given to the Registered Owner of each Bond or a portion thereof being called for redemption by depositing such notice in the United States mail, first class, postage prepaid, addressed to each such Registered Owner at the address shown on the registration books of the Paying Agent/Registrar; provided, however, that the failure to receive such notice shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond. By the date fixed for any such redemption, due provisions shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or the portions thereof which are to be so redeemed, plus accrued interest to the date fixed for redemption. If a portion of any Bond shall be redeemed, a substitute Bond having the same maturity date, bearing interest at the same rate, in any integral multiple of $5,000, and in an aggregate principal amount equal to the unredeemed position thereof, will be issued to the Registered Owner upon the surrender of the Bonds being redeemed, at the expense of the District, all as provided for in the Bond Order.

Book-Entry-Only System

This section describes how ownership of the Bonds are to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District, the Financial Advisor and the Underwriter cannot and do 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 requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, 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 Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through DTC Participants, which will receive a credit for such purchases on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct or 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 interest 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 the 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 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 such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and 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 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 nor its nominee, 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 and 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 Paying Agent/Registrar, disbursement of such payments to Direct Participants shall 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

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

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

Ownership

The District, the Paying Agent/Registrar and any agent of either may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of receiving payment of the principal and the interest thereon, and for all other purposes, whether or not such Bond is overdue. Neither the District, the Paying Agent/Registrar nor any agent of either shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the owner of any Bond in accordance with the Bond Order shall be valid and effective and shall discharge the liability of the District and the Paying Agent/Registrar for such Bond to the extent of the sums paid.

Source of and Security for Payment

The Bonds and the District's Outstanding Bonds (as hereinafter defined) (together with any additional unlimited tax or combination unlimited tax and revenue bonds as may hereafter be issued) are payable as to principal and interest from the proceeds of a continuing, direct, annual ad valorem tax without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy annually a tax sufficient in amount to pay principal of and interest on the Bonds, full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the District's Debt Service Fund and used solely to pay principal and interest on the Bonds, the Outstanding Bonds and on any additional bonds payable from taxes which may be issued. See "Issuance of Additional Debt" below.

Replacement of Paying Agent/Registrar

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

Authority for Issuance

The Bonds constitute the sixth installment of $4,000,000 in bonds authorized for refunding purposes at an election held for and within the District in 1992. Following issuance of the Bonds, an aggregate of $2,231,000 principal amount of refunding bond authorization will remain unissued. The District also has an additional (a) $40,305,000 principal amount of unissued unlimited tax bonds authorized for water, wastewater and drainage purposes, and for refunding purposes at an election held for and within the District on May 7, 2016; (b) $7,305,000 principal amount of unissued unlimited tax defined area bonds authorized at the bond election held for and within the Auburn Trails Defined Area No. 1 of the District on May 12, 2007; (c) $2,435,000 principal amount of unissued unlimited tax defined area bonds authorized at the bond election held for and within the Auburn Trails Defined Area No. 2 of the District on May 11, 2013; (d) $39,735,000 principal amount of unissued unlimited tax defined area bonds authorized at the bond election held for and within the Hendricks Defined Area of the District on May 12, 2007; and (e) $4,500,000 principal amount of unissued unlimited tax defined area bonds authorized at the bond election held for and within the Valley Ranch Defined Area of the District on May 9, 2009. Defined area bonds are special limited obligations of the District secured solely by ad valorem taxes imposed upon taxable property within such defined area. See " Issuance of Additional Debt" and "THE DISTRICT--Defined Area Development" below.

The Bonds are issued pursuant to the Bond Order; Chapters 49 and 54 of the Texas Water Code, as amended; Chapter 1207 of the Texas Government Code, as amended; and Article XVI, Section 59 of the Texas Constitution.

Outstanding Bonds

The District has previously issued $3,780,000 Unlimited Tax Refunding Bonds, Series 2010 (the "Series 2010 Bonds"), $7,095,000 Unlimited Tax Refunding Bonds, Series 2012 (the "Series 2012 Bonds"), and $19,400,000 Unlimited Tax Bonds, Series 2016 (the "Series 2016 Bonds"). As of December 1, 2020, $600,000 in aggregate principal amount of the Series 2010 Bonds, $5,265,000 of the Series 2012 Bonds, and $18,170,000 of the Series 2016 Bonds remain outstanding (collectively, the "Outstanding Bonds"). The District has timely made payments due to date on its outstanding indebtedness.

Issuance of Additional Debt

The District may issue additional bonds to provide those improvements for which the District was created. Following issuance of the Bonds, an aggregate of $2,231,000 principal amount of unlimited tax refunding bonds will remain authorized but unissued. The District also has an additional (a) $40,305,000 principal amount of unissued unlimited tax bonds authorized; (b) $7,305,000 principal amount of unissued unlimited tax defined area bonds authorized within the Auburn Trails Defined Area No. 1; (c) $2,435,000 principal amount of unissued unlimited tax defined area bonds authorized within the Auburn Trails Defined Area No. 2; (d) $39,735,000 principal amount of unissued unlimited tax defined area bonds authorized within the Hendricks Defined Area; and (e) $4,500,000 principal amount of unissued unlimited tax defined area bonds authorized within the Valley Ranch Defined Area. According to the District's Engineer, the remaining authorized but unissued bonds will be sufficient to extend the utility system to the remaining approximately 734.929 undeveloped acres within the District.

Depending upon the rate of development and increases in assessed valuation of taxable property within the District and the amount, maturity schedule and time of issuance of such additional bonds, increases in the District's annual tax rate may be required to provide for the payment of the principal of and interest on such additional bonds, the Outstanding Bonds and the Bonds. Additional tax bonds and/or tax and revenue bonds may be voted in the future. The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the wastewater system therefor and to issue bond anticipation notes and tax anticipation notes.

The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may be on a parity with the Bonds, and may dilute the security of the Bonds

The District has no plans to issue additional bonds within the next twelve months.

Defeasance

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

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

Mutilated, Lost, Stolen or Destroyed Bonds

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.

Annexation and Consolidation

All the property within the District is currently within the extraterritorial jurisdiction ("ETJ") of either the City of Houston, Texas or the City of Conroe, Texas (each, a "City"and together, the "Cities"). Under Texas law, when a utility district such as the District lies within the ETJ of two or more cities, any of such cities may annex that portion of the utility district lying within its ETJ without dissolving the utility district. At such time as each of the cities has annexed that portion of the utility district within its ETJ, the cities may, but are not required to, dissolve the utility district and distribute among them the assets and liabilities of the utility district. Such distribution must be done pro rata, based on the ratio that the value of property and other assets distributed bears to the total value of all the property and other assets of the utility district. The District has the right under current Texas law to select the City that may exercise extraterritorial authority within the District as a whole, and thereafter the District would be contained wholly in the ETJ of the City selected by the District. In that event, if the City selected by the District annexed the District, the District would be dissolved within 90 days after annexation and the City would assume the assets, functions and obligations of the District, including the Bonds. No representation is made concerning the likelihood of annexation by a City, or the ability of a City to make debt service payments should annexation and dissolution of the District occur.

The District has the right to consolidate with other districts and, in connection therewith, to provide for the consolidation of its System (hereinafter defined) with the water and sewer systems of the district or districts with which it is consolidating. Should any such consolidation occur, the net revenues from the operation of the consolidated system would be applied to the payment of principal, interest, redemption price and bank charges on the combination unlimited tax and revenue bonds of the District, if any, and of the district or districts with which the District is consolidated without prejudice to any series of bonds. However, bonds with subordinate liens on net revenues shall continue to be subordinate. No representations are made that the District will ever consolidate its utility system with other systems.

Strategic Partnership

The District is authorized to enter into a strategic partnership agreement with either or both Cities to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District, or any portion thereof, were to be annexed for full or limited purposes by the either or both Cities. The terms of any such agreement would be determined by the City or Cities and the District, and could provide for limitations on the timing of annexation of the District by the City or Cities, the continuation of the District as a limited district following general purpose annexation by the City or Cities, the conversion of a limited purpose annexation to a general purpose annexation, or the payment of a fee in lieu of annexation to be derived from residential property within the District based on the costs of providing municipal services to the District. The Cities have negotiated and entered into strategic partnership agreements with several other districts in their extraterritorial jurisdiction. No representations can be made regarding the future likelihood of a strategic partnership agreement or the terms thereof.

Amendments to the Bond Order

The District may, without the consent of or notice to any Registered Owners, amend the Bond Order in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Order; provided that, without the consent of the Registered Owners of all of the Bonds affected, no such amendment, addition or rescission may (a) extend the time or times of payment of the principal of and interest (or accrual of interest) on the Bonds, or reduce the principal amount thereof or the rate of interest thereon or in any other way modify the terms of payment of the principal of or interest on the Bonds, (b) give preference of any Bond over any other Bond, or (c) extend any waiver of default to subsequent defaults. In addition, a state, consistent with federal law, may in the exercise of its police power make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

Remedies in Event of Default

Other than a writ of mandamus, the Bond Order does not provide a specific remedy for a default. Even if a Registered Owner could presumably obtain a judgment against the District for a default in the payment of principal or interest, such judgment could not be satisfied by execution against any property of the District. If the District defaults, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principals of equity. Certain traditional legal remedies also may not be available. See “RISK FACTORS—Registered Owners' Remedies and Bankruptcy Limitations.”

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.

BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

On October 29, 2020, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 16, 2020, S&P announced that it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further rating actions that S&P may take.

On August 13, 2019, Moody's announced that it had 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 of AGM 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) pic ("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 and 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 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 "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

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

THE DISTRICT

Authority

The District is a municipal utility district created by the Texas Water Commission, predecessor to the TCEQ, on June 2, 1978, and confirmed at an election held within the District on August 12, 1978. The District is vested with all of the rights, privileges, authority, and functions conferred by the general laws of the State applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate, acquire, own, and maintain all water and wastewater facilities, improvements and the control and diversion of storm water. The District is additionally empowered to provide parks and recreational facilities, to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to issue bonds for such purposes, after approval by the Cities and the TCEQ and the District's voters of the District's plans in such regard. The District is further empowered to provide for solid waste disposal services. The District is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is required to observe certain requirements of the Cities which limit the purposes for which the District may sell bonds to the acquisition, construction and improvements of waterworks, wastewater, drainage and recreational facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by a City of plans for construction of District facilities within that City's extraterritorial jurisdiction; and permit connections only to lots and reserves described in a plat that has been approved by the Planning and Zoning Commission of a City if the lots and reserves described in the plat are located in that City's extraterritorial jurisdiction, and filed in the real property records of Montgomery County.

Management of the District

The District is governed by the Board, consisting of five directors, which has management control and management supervision over all affairs of the District. All Board members reside within the District. Directors are elected to serve four-year staggered terms. Elections are held within the District in May of each even-numbered year. The current members and officers of the Board are as follows:

Name	***Title***	***Term Expires***
R Wayne Curry	President	2024
Mary E Hebert	Secretary	2024
Val Ray Bankston III	Assistant Secretary	2022
Fred Ortiz	Director	2024
Vacant	Director	2022

The District employs an office Manager and an assistant. The District also operates the utility system, employing five full-time personnel. The District also contracts for the services indicated below:

Auditor - The District's audited financial statements for the year ended September 30, 2019, were prepared by McCall Gibson Swedlund Barfoot, PLLC, Certified Public Accountants, Houston, Texas. A copy of such audit appears herein as Appendix A.

Legal Counsel - The District employs Young & Brooks, Houston, Texas, as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of Bonds actually issued and sold; and therefore, such fees are contingent on the sale and delivery of the Bonds. Such firm also acts as general counsel to the District.

Financial Advisor - The District's financial advisor is Blitch Associates, Inc., Houston, Texas. The fees to be paid to the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of Bonds actually issued and sold; and therefore, such fees are contingent on the sale and delivery of the Bonds.

Bookkeeper - The District's books and records are kept by Municipal Accounts & Consulting, L.P., Conroe, Texas.

Engineer - The consulting engineer for the District is A&S Engineers, Inc., Houston, Texas.

Tax Assessor/Collector - The District's Tax Assessor/Collector is the Montgomery County Tax Collector/Assessor.

Description of the District

The District is located in southeast Montgomery County along U.S. Highway 59 which traverses the District north to south. The District is approximately 24 miles northeast of downtown Houston and lies entirely within the extraterritorial jurisdiction of the Cities. Its original size was approximately 3,055 acres, but due to subsequent annexations, the District's present size is approximately 4,001.7 acres. The District is located wholly within the New Caney Independent School District.

The land within the District has elevations which range from approximately 100 feet mean sea level ("msl") to approximately 80 feet msl. According to the Engineer, approximately 810 acres of the District lie within the 100-year flood plain of White Oak Creek and Bens Branch. This is based on information obtained from Federal Emergency Management Agency Flood Insurance Rate Maps Community Panel Numbers 48339C00725G and 48339C0750H, both dated August 18, 2014, for the area. The Montgomery County Engineer is charged with overseeing minimum flood slab elevations for the development of areas lying within the flood plain. According to the Engineer, a portion of this area has been developed. The District cannot predict what the effect the flood plain will have on future development in the District nor what effect a flood may have on the developed portion of the District.

The District currently holds a wastewater Certificate of Convenience and Necessity ("CCN") for 14,055.55 acres, which overlap a majority of the existing District boundaries. CCNs grant the holder an exclusive right to provide retail water or wastewater services to the area within the CCN. There is no certainty that the District can serve such acreage within the proposed CCN boundaries without developer or landowner participation in the costs of extending lines and constructing central facilities.

The Defined Areas

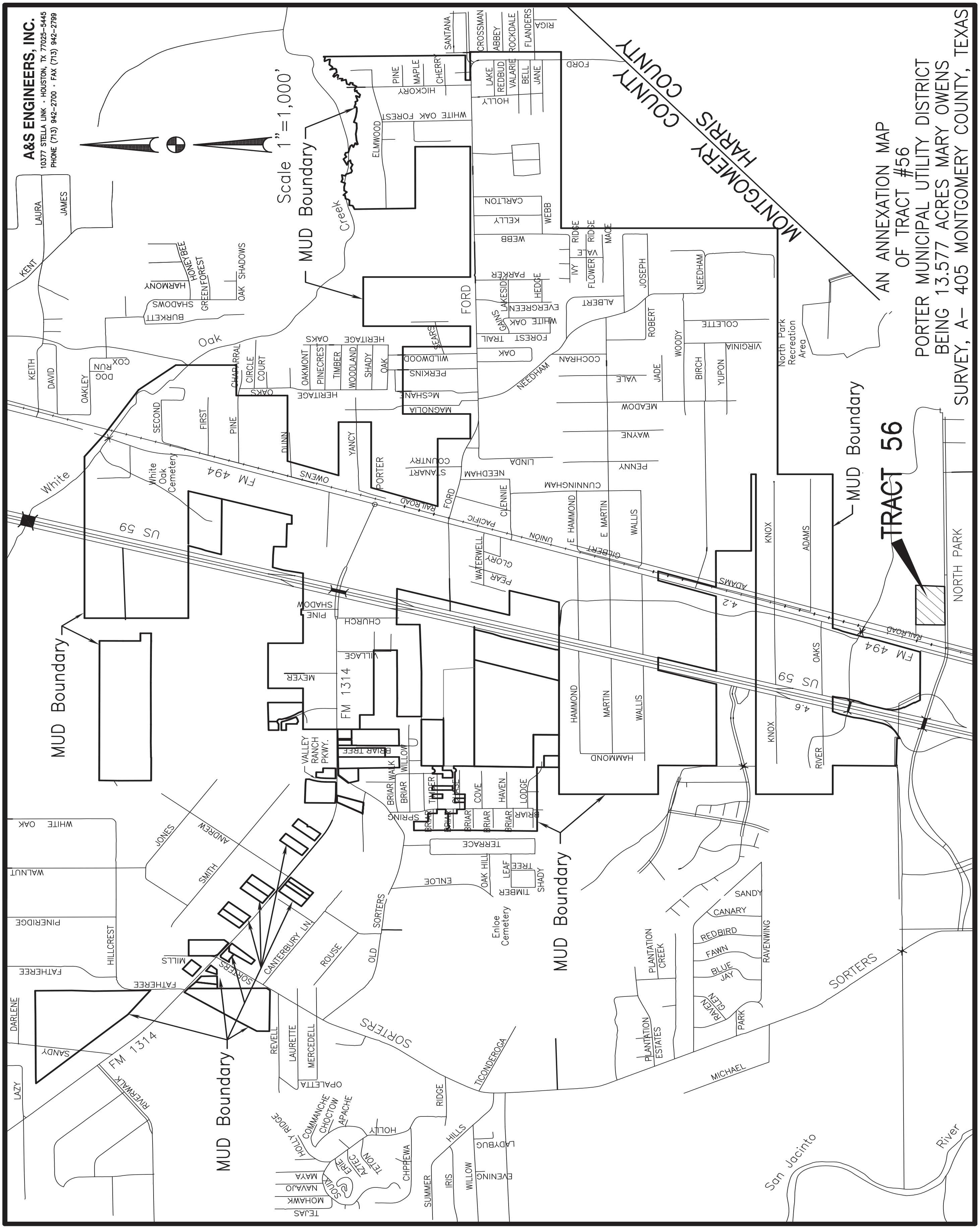
Within the District are located four defined areas: Auburn Trails Defined Area No. 1, Auburn Trails Defined Area No. 2, Hendricks Defined Area and Valley Ranch Defined Area. Created by the District, the defined areas have each held confirmation elections, at which tax bonds and taxes were authorized. Defined area bonds are payable solely from taxes levied against taxable property within such defined area.

The Auburn Trails Defined Areas No. 1 and No. 2 have been developed into residential subdivisions, together comprising 518 single-family lots, with homes built on all but approximately 12 vacant lots. Hendricks Defined Area is being developed into commercial tracts, with the initial development consisting of a Kroger's food store, nine restaurants and other commercial businesses, as well as a 400 home development currently in development. Valley Ranch Defined Area has not commenced development.

Below is a summary of such defined areas:

	Auburn Trails 1	***Auburn Trails 2***	***Hendricks***	***Valley Ranch***
Acreage	95.12	48.145	306.76	42.126
Date Created	5/12/2007	5/11/2013	5/12/2007	5/9/2009
Bonds Outstanding (12/1/2020)	$5,315,000	$3,895,000	$4,775,000	None
2020 Taxable Value	$63,362,921	$45,604,347	$65,238,674	$6,750
2020 District Tax Rate	$0.4400	$0.4400	$0.4400	$0.4400
2020 Additional Tax Rate	$0.7008	$0.7100	$0.9670	None
Remaining Bonds Authorized	$7,305,000	$2,435,000	$39,735,000	$4,500,000

Location Map



Photographs Taken in the District (November 2020)


THE HOME DEPOT


PHARMACY
Walgreens


24
HOURS


White Oak


NTB
NATIONAL TIRE & BATTERY











DISTRICT DEBT

Outstanding Indebtedness

The District currently has outstanding the following three bond issues:

Bond Issue	***Original Issue***	***Outstanding At 12/1/2020***
Unlimited Tax Refunding Bonds, Series 2010	$3,780,000	$600,000
Unlimited Tax Refunding Bonds, Series 2012	7,095,000	5,265,000
Unlimited Tax Bonds, Series 2016	19,400,000	18,170,000
Total		$24,035,000

Debt Statement

2020 Taxable Assessed Valuation (100% of Market Value)	$686,053,516	(a)
Direct Debt		
Outstanding Bonds (As of December 1, 2020)	$24,035,000	
Less: The Refunded Bonds	(5,390,000)	
The Bonds	5,355,000	
Total Direct Debt	$24,000,000	
Estimated Overlapping Debt	91,351,566	(b)
Direct and Estimated Overlapping Debt	$115,351,566	
Direct Debt Ratios:		
Direct Debt to Value	3.50%	
Direct & Estimated Overlapping Debt to Value	16.81%	
Average Annual Debt Service Requirements (2021/38)	$1,800,151	
Maximum Annual Debt Service Requirements (2029)	$1,880,138	
Fund Balances as of November 17, 2020 (Cash & Investments)		
General Fund	$7,978,586	
Debt Service Fund	$1,987,690	
Capital Projects Fund	$18,356,983	

(a) Certified by the Montgomery Central Appraisal District. See "TAX PROCEDURES."
(b) See "Estimated Overlapping Debt," below.

Estimated Overlapping Debt

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdiction and/or the Texas Municipal Reports. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes. See "TAX DATA--Estimated Overlapping Taxes."

Jurisdiction	***Debt As Of December 1, 2020***	***Overlapping Percent***	***Overlapping Amount***
Lone Star College District	$542,290,000	0.305%	$1,653,985
Montgomery County	509,380,000	1.108%	5,643,930
New Caney Independent School District	504,345,000	13.893%	70,068,651
Porter MUD–Auburn Trails Defined Area No. 1	5,315,000	100.000%	5,315,000
Porter MUD–Auburn Trails Defined Area No. 2	3,895,000	100.000%	3,895,000
Porter MUD–Hendricks Defined Area	4,775,000	100.000%	4,775,000
Estimated Overlapping Debt			$91,351,566
The District (Includes the Bonds and deletes the Refunded Bonds)			24,000,000
Total Direct & Estimated Overlapping Debt			$115,351,566

Historical Operations of the Debt Service Fund

The following statement sets forth in condensed form the historical operations of the District's Debt Service Fund. Such information has been prepared based upon information obtained from the District's audited financial statements. Reference is made to such statements for further and complete information. See "APPENDIX A--Financial Statements of the District."

	Fisca l Years Ended September 30,				
	2019	***2018***	***2017***	***2016***	***2015***
Revenues					
Tax Revenues	$1,740,053	$1,849,394	$1,765,029	$1,288,290	$1,060,423
Other Revenues	90,938	57,366	12,070	7,146	3,057
Total Revenues	$1,830,991	$1,906,760	$1,777,099	$1,295,436	$1,063,480
Expenditures					
Debt Service	$1,819,403	$1,832,574	$2,628,732	$931,930	$931,683
Contracted Services	39,433	54,063	23,080	20,624	19,978
Total Expenditures	$1,858,836	$1,886,637	$2,651,812	$952,554	$951,661
Net Revenues (Expenditures)	($27,845)	$20,123	($874,713)	$342,882	$111,819
Fund Balance - October 1	2,056,504	2,036,381	2,216,194	1,874,812	1,763,693
Other Sources (Uses)					
Bond Sale Net Proceeds	0	0	0	(1,500)	(700)
Prior Period Adjustment	0	0	694,900	0	0
Fund Balance - Sept 30	$2,028,659	$2,056,504	$2,036,381	$2,216,194	$1,874,812
Cash/Investments - Sept 30	$2,028,185	$2,071,204	$1,635,936	$2,214,920	$1,877,949

Debt Service Schedule

The following sets forth the debt service requirements on the District's Outstanding Bonds and on the Bonds. (*Note: Totals may not add due to rounding*)

Year	***Outstanding Debt Service***	***Refunded Debt Service***	***The Bonds Principal***	***The Bonds Interest***	***The Bonds Total D/S***	***Grand Total Debt Service***
2021	$1,794,450	($346,525)	$200,000	$93,300	$293,300	$1,741,225
2022	1,780,525	(827,263)	655,000	128,625	7,483,625	1,736,888
2023	1,755,331	(823,769)	675,000	108,675	783,675	1,735,238
2024	1,755,569	(829,281)	700,000	88,050	788,050	1,734,338
2025	1,769,863	(848,700)	740,000	66,450	806,450	1,727,613
2026	1,768,113	(851,925)	765,000	43,875	808,875	1,725,063
2027	1,775,000	(859,013)	800,000	24,400	824,400	1,740,388
2028	1,775,438	(864,875)	820,000	8,200	828,200	1,738,763
2029	1,880,138					1,880,138
2030	1,877,456					1,877,456
2031	1,871,794					1,871,794
2032	1,867,913					1,867,913
2033	1,860,675					1,860,675
2034	1,850,888					1,850,888
2035	1,842,425					1,842,425
2036	1,836,019					1,836,019
2037	1,825,400					1,825,400
2038	1,810,500					1,810,500
	$32,737,494	($6,521,350)	$5,355,000	$561,575	$5,916,575	$32,402,719

Average Annual Debt Service (2021/2038)	$ 1,800,151
Maximum Annual Debt Service (2029)	$ 1,880,138

Note: Totals may not add due to rounding.

TAX PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal Districts

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; 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. The District currently grants a $20,000 exemption to residential homesteads of persons 65 years or older and certain disabled persons.

Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between $5,000 and $12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by before July 1. See "TAX DATA." The District currently grants a 20% 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 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law.

Tax Abatement

Montgomery County, Texas, may designate all or part of the area within the District as a reinvestment zone. Thereafter, the 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. As of September 1, 1999, each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, Montgomery County, Texas, has not designated any part 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 Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal 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.

The greater Houston area has experienced multiple extreme severe weather events, including tropical storms and hurricanes in the past several years some of which have resulted in a disaster declaration by the Governor of the State of Texas. See "RISK FACTORS – Recent Extreme Weather Events." When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are prorated for the year the disaster occurred. The taxing units assess taxes prior to the date the disaster occurred based upon market values as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property.

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 Tax Code.

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

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per $100 of taxable value are classified as "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 "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

Low Tax Rate Districts. Low Tax Rate Districts that adopt a total tax rate that would impose more than1.08 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

Developed Districts. Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, 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 Property 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 the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

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

The District. A determination as to a district’s status as a Low Tax Rate District, Developed District, or Developing District will be made on an annual basis, at the time a district sets its tax rate, beginning with the 2020 tax rate. The Board determined the District to be a “Developing District” for purposes of setting the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new 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 each taxing unit, including the District, having the power to tax the property. The District’s tax lien is on 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 parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

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

TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds, and any future tax-supported bonds which may be issued from time to time as may be authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds.

Tax Collection History

The following table indicates the collection history for taxes assessed by the District:

Tax Year	*Taxable Valuation*	*D/S Rate*	*M&O Rate*	*Total Rate*	*Tax Levy*	*Percent Current*	*Percent Total*	*Yr End Sep 30*
2003	$151,327,568	$0.3900	$0.1250	$0.5150	$784,882	96.37%	99.03%	2004
2004	160,337,968	0.4028	0.1122	0.5150	826,742	96.68%	99.40%	2005
2005	171,186,995	0.4039	0.1111	0.5150	881,590	97.42%	100.51%	2006
2006	179,813,596	0.4350	0.0800	0.5150	963,575	97.37%	100.21%	2007
2007	215,311,559	0.4471	0.0679	0.5150	1,106,677	96.85%	98.27%	2008
2008	245,622,171	0.4505	0.0645	0.5150	1,264,954	96.00%	98.00%	2009
2009	258,203,643	0.4000	0.1150	0.5150	1,335,165	97.27%	100.50%	2010
2010	258,439,908	0.3950	0.1200	0.5150	1,336,970	97.05%	99.29%	2011
2011	267,648,226	0.3830	0.1320	0.5150	1,383,422	96.64%	98.99%	2012
2012	294,803,720	0.3740	0.1410	0.5150	1,515,819	97.47%	97.87%	2013
2013	331,545,278	0.3710	0.1440	0.5150	1,707,460	98.02%	101.91%	2014
2014	389,238,564	0.2650	0.2500	0.5150	2,006,005	98.24%	100.23%	2015
2015	470,900,922	0.2716	0.2084	0.4800	2,262,023	98.17%	99.52%	2016
2016	521,485,446	0.3380	0.1420	0.4800	2,504,487	97.75%	98.66%	2017
2017	543,948,719	0.3368	0.1432	0.4800	2,613,398	98.34%	101.13%	2018
2018	571,404,251	0.3048	0.1592	0.4640	2,653,734	98.45%	99.76%	2019
2019	598,440,440	0.2947	0.1653	0.4600	2,756,043	98.29%	99.12%	2020
2020	686,053,516	0.2700	0.1700	0.4400	3,018,635	In	Process	2021

Principal Taxpayers

Name of Taxpayer	***Type of Property***	***2020 Ass'd Value***	***% Total 2020 AV***	***2019 Ass'd Value***	***% Total 2019 AV***
Wal-Mart Real Estate Bus Tr	Retail Store	25,337,337	3.69%	19,839,741	3.31%
KW2 Apartments LLC	Apartments	22,885,000	3.34%	23,750,000	3.96%
Kroger Family Center	Grocery Store	15,911,872	2.32%	17,452,705	2.91%
The Home Depot 2	Hardware Store	10,026,910	1.46%	9,945,877	1.66%
Welltower Inc	Assisted Living	9,816,570	1.43%	(a)	
PS LPT Properties Investors	Mini-Warehouses	7,477,470	1.09%	7,176,630	1.20%
Porterwood Shopping Center	Shopping Center	7,416,060	1.08%	7,322,240	1.22%
Royal Purple Inc	Lubricant Mfg	6,867,252	1.00%	7,264,831	1.21%
East Burnett Villas	Apartments	6,837,450	1.00%	6,837,450	1.14%
Porter Road Investments LLC	Acreage	6,443,160	0.94%	(a)	
BH Porterwood Partners LP	Apartments	(a)		6,400,000	1.07%
LH Northpark LLC	Retail	(a)		5,479,840	0.91%
Total--Top Ten		$119,019,08	17.35%	$111,469,31	18.60%

(a) Not among the top ten in this year.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of assessed valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2020 Taxable Valuation ($686,053,516). The calculations assume collection of 98% of taxes levied and the sale of no additional bonds (other than the Bonds) by the District.

Average Annual Debt Service Requirements (2021/2038)	$1,800,151
Tax Rate of $0.268 on the 2020 Taxable Valuation produces	$1,801,851
Average Annual Debt Service Requirements (2029)	$1,880,138
Tax Rate of $0.280 on the 2020 Taxable Valuation produces	$1,882,531

Analysis of Tax Base

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the 2020 and 2019 tax roll valuations:

	2020 Amount	*2020 Percent*	*2019 Amount*	*2019 Percent*
Land	$171,513,887	22.39%	$147,848,952	19.24%
Improvements	518,771,179	67.72%	538,338,146	70.05%
Personal	75,729,754	9.89%	82,330,959	10.71%
Total Appraised Value	$766,014,820		$768,518,057	
Less:				
Totally Exempt	$102,410,728		$96,804,458	
Freeport	4,110,008		6,200,639	
Homestead Cap Adjust	13,967,630		8,818,704	
Homestead Exemptions	49,585,164		51,253,339	
Over 65/Disabled	18,486,560		18,204,981	
Productivity Uses	19,308,120		7,878,632	
Other Exemptions	1,690,202		3,413,785	
Total Exemptions	$209,558,412		$192,574,538	
Taxable Ass'd Value (a)	$556,456,408		$575,943,519	

(a) Based on original certified valuations only.

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, a tax lien attaches to property to secure the payment of all taxes, penalty, and interest for the year, on January 1 of that year. The tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative, and/or general revenue purposes.

Taxing Entities	***2020 Tax Rates***
Lone Star College System	$0.1078
Montgomery County	0.4312
Montgomery County Emergency Services District No. 6	0.1000
Montgomery County Hospital District	0.0588
New Caney Independent School District	1.4761
Overlapping Taxes	$2.1739
The District	0.4400
Total Direct & Overlapping Taxes	$2.6139

Note: For tax year 2020, properties located within the Auburn Trails Defined Area No. 1 pay an additional tax rate of $0.7008 per $100 assessed valuation; those within Auburn Trails Defined Area No. 2 pay an additional tax rate of $0.7100; and those within the Hendricks Defined Area pay an additional tax rate of $0.9670. No additional taxes have been levied for the Valley Ranch Defined Area. See “THE DISTRICT–The Defined Areas.”

THE SYSTEM

Regulation

The District operates only a wastewater collection and treatment system, and certain defined area drainage facilities. Property owners in the District obtain water from the Porter Special Utility District (“PSUD”) as discussed below under “Water Supply.”

The wastewater facilities serving land within the District (collectively, the "System") have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, Montgomery County Engineering Department, and the Cities. During construction, facilities are subject to inspection by the District's Engineer and the foregoing governmental agencies.

Operation of the District's System is subject to regulation by, among others, the United States Environmental Protection Agency, the TCEQ and the Cities. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Description of the System

Wastewater treatment is provided by the District's existing 1.6 million gallons per day ("mgd") wastewater treatment plant. The District discharges treated effluent into Bens Branch, a tributary of Lake Houston. Currently, 30 day average dry weather flows through the District’s sewage treatment plant are approximately 1.38 mgd.

The District entered a contract on May 5, 2006, with Terramark Communities, Ltd., under which the District agreed to provide wastewater treatment capacity for up to 2,300 equivalent single family connections ("ESFC") to be located within the adjacent Woodridge Municipal Utility District, created by Terramark Communities, Ltd. During October, 2020, the wastewater flows coming from Woodridge Municipal Utility District averaged 97,680 gallons per day (655 ESFCs).

Water Supply

The District's residents obtain their water supply on an individually contracted basis from PSUD, an entity distinct from the District which is solely responsible for providing District residents with water supply and distribution facilities.

PSUD's facilities include 8,400 gallons per minute of well capacity, 1,300,000 gallons of elevated storage capacity, and 2,270,000 gallons of total storage capacity. The facilities are adequate for the existing connections, according to the Texas Department of Health's minimum criteria. The PSUD should be able to adequately serve up to 11,687 equivalent single family connections with its existing facilities.

Rate Order

The Districts' utility rate order for wastewater service, subject to change from time to time by the Board, is summarized in part below and adopted February 18, 202019:

Sewer rates are flat rate charges for residential customers and on equivalent single family connections for commercial customers as follows:

Single Family Users	$20.00 per month
Commercial Users	$31.15 per equivalent single family connection
Multiple Users served by Master Meter	Individual rate plus $5.00 per unit

Historical Operations of the General Operating Fund

The following statement sets forth in condensed form the historical operations of the District's General Operating Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such information has been prepared based upon information obtained from the District's audited financial statements (except for the fiscal year ended September 30, 2020, which was summarized from the District's bookkeeping reports), reference to which is made for further and complete information. See "APPENDIX A--Financial Statements of the District."

	Fisca l Year Ended September 30,					
	2020(a)	***2019***	***2018***	***2017***	***2016***	***2015***
Revenues						
Service Revenues	$1,886,027	$1,911,592	$2,168,256	$1,624,728	$1,600,476	$1,435,333
Maintenance Tax	988,601	907,268	793,411	742,268	983,681	990,671
Miscellaneous Revenues	416,780	394,177	273,421	528,730	277,181	293,012
Total Revenues	$3,291,408	$3,213,037	$3,235,088	$2,895,726	$2,861,338	$2,719,016
Expenses						
Personnel	$657,177	$602,728	$540,286	$486,463	$457,315	$400,599
Professional Fees	257,882	209,003	144,661	113,562	153,931	240,342
Contracted Services	37,302	51,946	48,315	85,210	92,891	110,312
Utilities	206,562	210,096	220,746	205,944	202,282	209,146
Repairs/Maintenance	150,884	197,799	218,801	245,649	280,840	402,401
Administrative Expense	466,732	402,357	425,086	157,532	170,094	140,187
Total Expenditures	$1,772,539	$1,673,929	$1,597,895	$1,294,360	$1,357,353	$1,502,987
Net Revenue	$1,518,869	$1,539,108	$1,637,193	$1,601,366	$1,503,985	$1,216,029
Other Revenue (Expense)						
Capital Outlay	(636,521)	(800,883)	(402,684)	(841,114)	(909,888)	(600,248)
Capital Grants	316,368	0	0	0	0	0
Transfer of Funds	0	0	0	(394,900)	0	(167,561)
Net Change		$738,225	$1,234,509	$365,352	$594,097	$448,220
Beginning Balance, Oct 1		6,371,114	5,136,605	4,771,253	4,177,156	3,728,936
Ending Balance, Sept 30		$7,109,339	$6,371,114	$5,136,605	$4,771,253	$4,177,156
Cash/Inv., Sept 30 (a)		$7,724,600	$6,707,992	$5,940,933	$5,125,785	$4,620,638
% of Annual Expense		461.47%	419.80%	458.99%	377.63%	307.43%
Customers–End of Period		5,457	5,329	5,219	5,219	4,981

(a) Unaudited

RISK FACTORS

General

The Bonds, which are special obligations of the District and are not obligations of the State of Texas; Montgomery County, Texas; the City of Houston, Texas; the City of Conroe, Texas; or any other political subdivision, will be secured by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. At this point in the development of the District, the potential increase in taxable values of property is directly related to the demand for residential and commercial development, not only because of general economic conditions, but also due to particular factors discussed below.

Infectious Disease Outlook (COVID-19)

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

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

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

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

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

Hurricane Harvey

The Houston area, including Montgomery County, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas gulf coast on August 25, 2017 and historic levels of rainfall during the succeeding four days. According to the District's Operator approximately 100 to 150 homes within the District were flooded, but with no significant damage to District facilities. However, the greater Houston area, including the District, is susceptible to additional extreme weather events. See "–Recent Extreme Weather Events" below.

Recent Extreme Weather Events

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

The greater Houston area, including the District, has experienced four storms exceeding a 0.2% probability (i.e."500-year flood" events) since 2015.

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

Specific Flood Type Risks

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

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

Coastal (or Storm Surge) Flood: Coastal, or storm surge, flooding occurs when sea levels or water levels in estuarial rivers, bayous and channels rise to abnormal levels in coastal areas, over and above the regular astronomical tide, caused by forces generated from a severe storm's wind, waves and low atmospheric pressure. Storm surge is extremely dangerous because it is capable of flooding large swaths of coastal property and causing catastrophic destruction. This type of flooding may be exacerbated when storm surge coincides with a normal high tide.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and of developed lots which are currently being marketed by the Developer for sale to homebuilders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions in Houston, the State of Texas and the nations and those conditions can affect the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

Factors Affecting Taxable Values and Tax Payments

***Economic Factors**:* The growth of taxable values in the District is directly related to the vitality of the housing development and commercial building industry in the Houston metropolitan area. The housing and building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions. During the late 1980's, an oversupply of single-family residential housing in the Houston metropolitan market and the general downturn in the Houston economy adversely affected the local residential development and construction industries. In addition to a decline in housing demand, mortgage foreclosure by private banks and government and financial institutions depressed housing prices and the value of residential real estate in the Houston metropolitan area. The Houston economy is still somewhat dependent on energy prices and a precipitous decline in such prices could result in additional adverse effects on the Houston economy.

Maximum Impact on District Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2020 Taxable Valuation is $686,053,516. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement (2029) is $1,880,138 and the average annual debt service requirements (2021/2038) is $1,800,151. Assuming no increase or decrease from the 2020 Taxable Valuation and no use of funds other than tax collections, tax rates of $0.280 and $0.268 per $100 assessed valuation at a 98% collection rate against the 2020 Assessed Valuation, respectively, would be necessary to pay such debt service requirements. The Board levied a tax rate of $0.27 for debt service purposes and a tax rate of $0.17 for maintenance and operation purposes for 2020. See "TAX DATA--Tax Rate Calculations."

Overlapping Tax Rates

Consideration should be given to the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The combination of the District's and the overlapping taxing entities' tax rates is high as compared to the combined tax rates generally levied upon comparable developments in the market area.

Consequently, an increase in the District's tax rate above those anticipated above may have an adverse impact on future development or the construction of additional taxable improvements in the District. See "DISTRICT DEBT--Estimated Overlapping Debt" and "TAX DATA--Estimated Overlapping Taxes."

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) collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Because ownership of the land within the District may become highly fragmented among a number of taxpayers, attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer.

Registered Owners' Remedies and Bankruptcy Limitations

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

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

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

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

The District may not be placed into bankruptcy involuntarily.

Environmental Regulation and Air Quality

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; and
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility 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).

On 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.

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

The HGB area is currently designated as a “marginal” nonattainment area under the 2015 Ozone Standard. For purposes of the 2015 Ozone Standard, the HGB area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.
Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater 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.

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 the United States Army Corps of

Engineers ("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 various 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 became final on December 23, 2019.

On January 23, 2020, the EPA and USACE finalized a replacement definition of "waters of the United States." The new definition outlines the categories of waters that would be considered "waters of the United States," including traditional navigable waters, perennial and intermittent tributaries to those waters, certain lakes, ponds, and impoundments and wetlands adjacent to jurisdiction waters. The new rule also details what are not "waters of the United States," such as features that only contain water during or in response to rainfall; groundwater' many ditches, including most roadside or farm ditches; prior converted cropland; farm and stock watering ponds; and waste treatment systems. The new rule will become effective 60 days after the date of its publication in the Federal Register, and will likely become the subject of further litigation.

Due to possible litigation challenging the new rule, there still remains significant 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 permitting requirements.

Future Debt

The District has an additional $40,305,000 principal amount of unissued unlimited tax bonds authorized. The District has the right to issue such bonds, and such additional bonds as may hereafter be authorized by the voters of the District. The remaining authorized but unissued bonds may be issued by the District from time to time as needed. The District has no plans to issue additional bonds within the next 12 months.

Continuing Compliance with Certain Covenants

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

Marketability

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

Future and Proposed Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General, however, does not pass upon or guarantee the security of the Bonds as an investment, nor has the Attorney General passed upon the adequacy or accuracy of the information contained in this Official Statement.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding special obligations of the District, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property in the District. The District will also furnish the legal opinion of Young & Brooks, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are legal, valid and binding special obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with all general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX MATTERS". Such opinions will express no opinions with respect to the sufficiency and security for or the marketability of the Bonds.
In addition to serving as Bond Counsel, Young & Brooks also acts as general counsel to the District on matters other than the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

Legal Review

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

No-Litigation Certificate

The District will furnish the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge of the certifying officers, threatened against the District contesting or attacking the Bonds or the Bond Order; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the Bond Order, the corporate existence or boundaries of the District or the titles of the then present officers of the Board.

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

Opinion

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

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith, and (c) the verification report prepared by Ritz & Associates PA. Failure by the District to comply with the aforementioned representations or covenants could cause the interest on the Bonds to become includable in gross income 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 Bond Counsel is conditioned on compliance by the Issuer with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be 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 TO PURCHASE THE BONDS.

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

The District expects to designate 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

Ritz & Associates PA 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 cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds, (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes and (iii) compliance with the City of Houston Ordinance No. 97-416 and City of Conroe Ordinance 1381-97. The computations were independently verified by Ritz & Associates PA based solely upon assumptions and information supplied by or on behalf of the District.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain financial information and operating data annually. The information to be updated includes the quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT DEBT," "TAX DATA," "THE SYSTEM–Historical Operations of the General

Operating Fund" and the District's audited financial statements and supplemental schedules as found in "APPENDIX A- Financial Statements of the District." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2020. The District will provide the updated information to the Municipal Securities Rulemaking Board (the "MSRB") or any successor to its functions as a repository through its Electronic Municipal Market Access ("EMMA") system. Any information concerning the District so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report of the District is not complete within such period, then the District shall provide unaudited financial statements for the applicable entity and fiscal year to the MSRB within such six month period, and audited financial statements when and if the audit report becomes available.

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 MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other 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; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District, any of which reflect financial difficulties. With respect to the Bonds, there are no "obligated persons" within the meaning of the Rule other than the District. The terms "financial obligation" and "material" when used in this paragraph shall have the meaning ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District; and the District intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this subcaption to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018 (the

“2018 Release”) and any further written guidance provided by the SEC or its staff with respect to the amendment to the Rule effected by the 2018 Release.

Availability of Information from MSRB

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

Limitations and Amendments

The District has agreed to update information and to provide notices of certain events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement. The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and Beneficial Owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided. The District may also amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent an underwriter from lawfully purchasing the Bonds in the initial offering.

Compliance with Prior Undertakings

During the last five (5) years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District’s expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. It is important to note that the District’s actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

PREPARATION OF OFFICIAL STATEMENT

General

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

Consultants

The information contained in this Official Statement relating to the physical characteristics of the District and engineering matters and, in particular, that engineering information included in the sections captioned "THE DISTRICT" and "THE SYSTEM" has been provided by the District's Engineer and has been included herein in reliance upon the authority of such firm as experts 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 historical breakdown of District valuations, principal taxpayers and collection rates contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" has been provided by the Appraisal District and the District's Tax Assessor/Collector and has been included herein in reliance upon their authority as experts in the field of tax assessing and collecting.

The financial statements contained in "APPENDIX A--Financial Statements of the District" have been included in reliance upon the accompanying report of the District's Auditor.

Updating the Official Statement

If, subsequent to the date of the Official Statement, the District learns, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds to the Underwriter) until all of the Bonds have been sold to ultimate customers.

Certification of Official Statement

The District, acting through the Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements and descriptions pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, 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 are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the Board has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading; however, the Board can give no assurance as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly certified and approved by the Board of Directors of Porter Municipal Utility District as of the date specified on the first page hereof.

/s/ R Wayne Curry
President, Board of Directors
Porter Municipal Utility District

ATTEST:
/s/ Mary E Hebert
Secretary, Board of Directors
Porter Municipal Utility District

PORTER MUNICIPAL UTILITY DISTRICT

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2019

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

PORTER MUNICIPAL UTILITY DISTRICT

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2019

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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Porter Municipal Utility District
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund and the remaining aggregate fund information of Porter Municipal Utility District (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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors
Porter Municipal Utility District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the remaining aggregate fund information 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, including the 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. This supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

February 11, 2020

PORTER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Management's discussion and analysis of Porter Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the 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 Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes all of the District's assets, liabilities and, if necessary, 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 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 maintains twelve governmental funds. 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. The Auburn Trails Defined Area No. 1 Capital Projects Fund accounts for financial resources restricted committed or assigned for acquisition or construction of facilities and related costs. The Auburn

FUND FINANCIAL STATEMENTS (Continued)

Trails Defined Area No. 2 Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs. The Hendricks Defined Area Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition of facilities and related costs. The remaining six funds are nonmajor funds aggregated together into a single column labeled Nonmajor Funds and are restricted to expenditures for specific purposes.

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 period. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by $19,089,256 as of September 30, 2019.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	$ 32,714,107	$ 31,208,149	$ 1,505,958
Capital Assets (Net of Accumulated Depreciation)	28,074,542	27,886,238	188,304
Total Assets	$ 60,788,649	$ 59,094,387	$ 1,694,262
Deferred Outflows of Resources	$ 105,546	$ 119,686	$ (14,140)
Due to Developer	$ 1,284,839	$ 1,284,839	$
Long -Term Liabilities	38,310,725	39,717,309	1,406,584
Other Liabilities	2,209,375	2,028,467	(180,908)
Total Liabilities	$ 41,804,939	$ 43,030,615	$ 1,225,676
Net Position:			
Net Investment in Capital Assets	$ 7,380,350	$ 5,558,699	$ 1,821,651
Restricted	2,910,867	2,883,650	27,217
Unrestricted	8,798,039	7,741,109	1,056,930
Total Net Position	$ 19,089,256	$ 16,183,458	$ 2,905,798

The following table provides a summary of the District's operations for the year ended September 30, 2019, and September 30, 2018. The District's net position increased by $2,905,798.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	$ 4,015,431	$ 3,941,434	$ 73,997
Charges for Services	2,030,323	2,216,190	(185,867)
Other Revenues	955,877	658,241	297,636
Total Revenues	$ 7,001,631	$ 6,815,865	$ 185,766
Expenses for Services	4,095,833	4,572,379	476,546
Change in Net Position	$ 2,905,798	$ 2,243,486	$ 662,312
Net Position, Beginning of Year	16,183,458	13,939,972	2,243,486
Net Position, End of Year	$ 19,089,256	$ 16,183,458	$ 2,905,798

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2019, were $31,798,204, an increase of $1,287,473 from the prior year.

The General Fund fund balance increased by $738,225. This increase was due to service revenues and property taxes exceeding operation and capital expenditures.

The Debt Service Fund fund balance decreased by $27,845, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by $232,543 due to current year investment revenues exceeding expenditures.

The Auburn Trails Defined Area No. 1 Capital Projects Fund fund balance increased by $2,106, primarily due to current year investment revenues exceeding current year expenditures.

The Auburn Trails Defined Area No. 2 Capital Projects Fund fund balance increased by $3,948, primarily due to current year investment revenues exceeding current year expenditures.

The Hendricks Defined Area Capital Projects Fund fund balance increased by $32,306, primarily due to current year investment revenues exceeding current year expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current year. Actual revenue was 412,607 more than budgeted. Actual expenditures were $325,618 less than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of September 30, 2019, total $28,074,542 (net of accumulated depreciation). Theses capital assets include the wastewater system, District building and equipment.

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation

	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 2,274,400	$ 2,274,400	$
District Organizational Costs	244,070	244,070	
Construction in Progress	1,085,655	408,091	677,564
Capital Assets, Net of Accumulated Depreciation:			
District Office Builidng	88,008	93,327	(5,319)
Wastewater System	24,261,595	24,691,374	(429,779)
Machinery and Equipment	120,814	174,976	(54,162)
Total Net Capital Assets	$ 28,074,542	$ 27,886,238	$ 188,304

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

LONG-TERM DEBT ACTIVITY

As of September 30, 2019, the District (inclusive of the Defined Areas) had total bond debt payable of $39,390,000.

The changes in the debt position of the District during the year ended September 30, 2019, are summarized as follows:

Bond Debt Payable, October 1, 2018	$ 40,730,000
Less: Bond Principal Paid	1,340,000
Bond Debt Payable, September 30, 2019	$ 39,390,000

The District's bonds carry an underlying rating of "A2" from Moody's. The Series 2010 Refunding and Series 2016 bonds carry an insured rating of "AA" from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Corp. and Assured Guaranty Municipal Corp., respectively. The Series 2012 Refunding bonds carry an insured rating of "A2" from Moody's by virtue of bond insurance issued by Assured Guaranty Municipal Corp. None of the Defined Area bonds carry an underlying rating or insured rating. The above ratings are as of September 30, 2019 and reflect all rating changes through that date.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Porter Municipal Utility District, P.O. Box 1030, Porter, TX 77365.

PORTER MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund
ASSETS			
Cash	$ 199,030	$ 4,280	$ 95
Investments	7,525,570	2,023,905	18,154,355
Receivables:			
Property Taxes	38,590	88,409	
Penalty and Interest on Delinquent Taxes			
Service Accounts	106,014		
Accrued Interest	32,765	1,835	
Due from Other Funds	1,361		79,100
Prepaid Costs	300		
Due from Other Governmental Units	16,473		
Land			
District Organizational Costs			
Construction in Progress			
Capital Assets (Net of Accumulated Depreciation)			
TOTAL ASSETS	$ 7,920,103	$ 2,118,429	$ 18,233,550
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refunding Bonds	$ -0-	$ -0-	$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 7,920,103	$ 2,118,429	$ 18,233,550

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

Auburn Trails Defined Area No. 1 - Capital Projects Fund	Auburn Trails Defined Area No. 2 - Capital Projects Fund	Hendricks Defined Area Capital Projects Fund	Total Nonmajor Funds	Total	Adjustments	Statement of Net Position
$	$	$	$ 8,385	$ 211,790	$	$ 211,790
262,485	224,760	1,466,389	2,493,831	32,151,295		32,151,295
			826	127,825		127,825
					65,810	65,810
				106,014		106,014
				34,600		34,600
			3,539	84,000	(84,000)	
				300		300
				16,473		16,473
					2,274,400	2,274,400
					244,070	244,070
					1,085,655	1,085,655
					24,470,417	24,470,417
$ 262,485	$ 224,760	$ 1,466,389	$ 2,506,581	$ 32,732,297	$ 28,056,352	$ 60,788,649
$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ 105,546	$ 105,546
$ 262,485	$ 224,760	$ 1,466,389	$ 2,506,581	$ 32,732,297	$ 28,161,898	$ 60,894,195

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

PORTER MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund
LIABILITIES			
Accounts Payable	$ 368,724	$	$ 17,913
Accrued Interest Payable			
Due to Developer			
Due to Other Funds	79,100	1,361	
Security Deposits	324,350		
Long-Term Liabilities:			
Due Within One Year			
Due After One Year			
TOTAL LIABILITIES	$ 772,174	$ 1,361	$ 17,913
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	$ 38,590	$ 88,409	$ -0-
FUND BALANCES			
Nonspendable Prepaid Costs	$ 300	$	$
Restricted for Authorized Construction			18,215,637
Restricted for Debt Service		2,028,659	
Restricted for Defined Areas			
Unassigned	7,109,039		
TOTAL FUND BALANCES	$ 7,109,339	$ 2,028,659	$ 18,215,637
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 7,920,103	$ 2,118,429	$ 18,233,550
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.

Auburn Trails Defined Area No. 1 - Capital Projects Fund	Auburn Trails Defined Area No. 2 - Capital Projects Fund	Hendricks Defined Area Capital Projects Fund	Total Nonmajor Funds	Total	Adjustments	Statement of Net Position
$	$	$	$	$ 386,637	$	$ 386,637
			11,281	11,281	117,107	128,388
					1,284,839	1,284,839
2,745	300	400	94	84,000	(84,000)	
				324,350		324,350
					1,370,000	1,370,000
					38,310,725	38,310,725
$ 2,745	$ 300	$ 400	$ 11,375	$ 806,268	$ 40,998,671	$ 41,804,939
$ -0-	$ -0-	$ -0-	$ 826	$ 127,825	$ (127,825)	$ -0-
$	$	$	$	$ 300	$ (300)	$
259,740	224,460	1,465,989		20,165,826	(20,165,826)	
				2,028,659	(2,028,659)	
			2,494,380	2,494,380	(2,494,380)	
				7,109,039	(7,109,039)	
$ 259,740	$ 224,460	$ 1,465,989	$ 2,494,380	$ 31,798,204	$ (31,798,204)	$ - 0 -
$ 262,485	$ 224,760	$ 1,466,389	$ 2,506,581	$ 32,732,297		
					$ 7,380,350	$ 7,380,350
					2,910,867	2,910,867
					8,798,039	8,798,039
					$ 19,089,256	$ 19,089,256

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

PORTER MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Total Fund Balances - Governmental Funds		$ 31,798,204
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		105,546
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		28,074,542
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 revenue in the governmental activities of the District.		193,635
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:		
Due to Developer	$ (1,284,839)	
Accrued Interest Payable	(117,107)	
Bonds Payable	(39,680,725)	(41,082,671)
Total Net Position - Governmental Activities		$ 19,089,256

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

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PORTER MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund
REVENUES			
Property Taxes	$ 907,268	$ 1,740,053	$
Wastewater Service	1,911,592		
Penalty and Interest	30,661	22,014	
Investment Revenues	165,857	54,328	418,543
Miscellaneous Revenues	197,659	14,596	
TOTAL REVENUES	$ 3,213,037	$ 1,830,991	$ 418,543
EXPENDITURES/EXPENSES			
Service Operations:			
Personnel	$ 602,728	$	$
Professional Fees	209,003	13,157	
Contracted Services	51,946	26,231	
Utilities	210,096		
Repairs and Maintenance	197,799		
Depreciation			
Other	402,357	45	
Capital Outlay	800,883		186,000
Debt Service:			
Bond Principal		915,000	
Bond Interest		904,403	
TOTAL EXPENDITURES/EXPENSES	$ 2,474,812	$ 1,858,836	$ 186,000
NET CHANGE IN FUND BALANCES	$ 738,225	$ (27,845)	$ 232,543
CHANGE IN NET POSITION			
FUND BALANCES/NET POSITION - OCTOBER 1, 2018	6,371,114	2,056,504	17,983,094
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2019	$ 7,109,339	$ 2,028,659	$ 18,215,637

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

Auburn Trails Defined Area No. 1 - Capital Projects Fund	Auburn Trails Defined Area No. 2 - Capital Projects Fund	Hendricks Defined Area Capital Projects Fund	Total Nonmajor Funds	Total	Adjustments	Statement of Activities
$	$	$	$ 1,370,190	$ 4,017,511	$ (2,080)	$ 4,015,431
				1,911,592		1,911,592
			246	52,921	65,810	118,731
6,014	5,148	33,524	60,205	743,619		743,619
			3	212,258		212,258
$ 6,014	$ 5,148	$ 33,524	$ 1,430,644	$ 6,937,901	$ 63,730	$ 7,001,631
$	$	$	$	$ 602,728	$	$ 602,728
	1,200	1,218	35,834	260,412		260,412
			45,065	123,242		123,242
				210,096		210,096
2,495			88,038	288,332		288,332
					798,579	798,579
1,413			4,309	408,124		408,124
				986,883	(986,883)	
			425,000	1,340,000	(1,340,000)	
			526,208	1,430,611	(26,291)	1,404,320
$ 3,908	$ 1,200	$ 1,218	$ 1,124,454	$ 5,650,428	$ (1,554,595)	$ 4,095,833
$ 2,106	$ 3,948	$ 32,306	$ 306,190	$ 1,287,473	$ (1,287,473)	$
					2,905,798	2,905,798
257,634	220,512	1,433,683	2,188,190	30,510,731	(14,327,273)	16,183,458
$ 259,740	$ 224,460	$ 1,465,989	$ 2,494,380	$ 31,798,204	$ (12,708,948)	$ 19,089,256

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

PORTER MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net Change in Fund Balances - Governmental Funds	$ 1,287,473
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(2,080)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	65,810
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(798,579)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	986,883
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	1,340,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	26,291
Change in Net Position - Governmental Activities	$ 2,905,798

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

NOTE 1. CREATION OF DISTRICT

Porter Municipal Utility District of Montgomery County, Texas (the "District") was created effective June 10, 1978, by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the "Commission"). The creation of the District was confirmed by election held within the District on August 12, 1978. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to establish, operate and maintain a fire department to perform all fire-fighting activities within the District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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:

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has six governmental funds considered 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 for 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.

Auburn Trails Defined Area No. 1 Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Auburn Trails Defined Area No. 2 Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

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

The District also has six nonmajor funds that are restricted for expenditures for specific purposes.

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 revenue reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the current year and taxes collected after September 30, 2019, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

Capital Assets

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

The District chose to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than $5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
District Office Building	40
Wastewater System	5-45
All Other Equipment	3-20

Budgeting

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

Pensions

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

It is the District's policy to accumulate earned but unused vacation to a maximum of a week per employee. Vacation shall be reimbursed at the rate established by the Board. No liabilities were recorded as the amounts were not significant.

Measurement Focus

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

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

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

	October 1, 2018	Additions	Retirements	September 30, 2019
Bonds Payable	$ 40,730,000	$	$ 1,340,000	$ 39,390,000
Unamortized Discount	(19,475)		(1,947)	(17,528)
Unamortized Premium	346,784		38,531	308,253
Bonds Payable, Net	$ 41,057,309	$ -0-	$ 1,376,584	$ 39,680,725

Amount Due Within One Year	$ 1,370,000
Amount Due After One Year	38,310,725
Bonds Payable, Net	$ 39,680,725

NOTE 3. LONG-TERM DEBT (Continued)

	Porter Municipal Utility District		
	Refunding Series 2010	Refunding Series 2012	Series 2016
Amount Outstanding – September 30, 2019	$750,000	$5,735,000	$18,480,000
Interest Rates	3.20% - 3.75%	2.00% - 3.50%	3.00% - 6.00%
Maturity Dates - Serially Beginning/Ending	March 1, 2020/2024	March 1, 2020/2028	March 1, 2020/2038
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2017*	March 1, 2021*	September 1, 2023*

* Or any date thereafter, in whole or in part, at the option of the District, at a price equal to par plus unpaid accrued interest to the date fixed for redemption. Series 2016 term bonds maturing March 1, 2027, March 1, 2036 and March 1, 2038 are subject to mandatory redemption beginning March 1, 2026, March 1, 2035, and March 1, 2037, respectively.

	Auburn Trails Defined Area No. 1		
	Series 2014	Series 2015	Series 2017
Amount Outstanding – September 30, 2019	$1,555,000	$2,235,000	$1,710,000
Interest Rates	2.25% - 4.50%	2.00% - 4.25%	3.00% - 4.00%
Maturity Dates - Serially Beginning/Ending	March 1, 2020/2038	March 1, 2020/2040	March 1, 2020/2040
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2022*	September 1, 2022*	March 1, 2024*

* Or any date thereafter, in whole or in part, at the option of the District, at a price equal to par plus unpaid accrued interest to the date fixed for redemption. Series 2014 term bonds maturing March 1, 2032, March 1, 2034, March 1, 2036 and March 1, 2038 are subject to mandatory redemption beginning March 1, 2031, March 1, 2033, March 1, 2035 and March 1, 2037, respectively. Series 2015 term bonds maturing March 1, 2029, March 1, 2032, March 1, 2034, March 1, 2037 and March 1, 2040 are subject to mandatory redemption beginning March 1, 2028 March 1, 2030, March 1, 2033, March 1, 2036 and March 1, 2039, respectively. Series 2017 term bonds maturing March 1, 2040 are subject to mandatory redemption beginning March 1, 2031.

NOTE 3. LONG-TERM DEBT (Continued)

	Hendricks Defined Area	
	Series 2015	Series 2017
Amount Outstanding – September 30, 2019	$1,335,000	$3,595,000
Interest Rates	3.00% - 4.10%	2.00% - 4.00%
Maturity Dates - Serially Beginning/Ending	March 1, 2020/2039	March 1, 2020/2041
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2022*	March 1, 2024*

* Or any date thereafter, in whole or in part, at the option of the District, at a price equal to par plus unpaid accrued interest to the date fixed for redemption. Series 2015 term bonds maturing March 1, 2031, March 1, 2033, March 1, 2036 and March 1, 2039 are subject to mandatory redemption on March 1, 2029, March 1, 2032, March 1, 2034 and March 1, 2037, respectively. Series 2017 term Bonds maturing March 1, 2035, March 1, 2038 and March 1, 2041 are subject to mandatory redemption on March 1, 2034, March 1, 2036 and March 1, 2039, respectively.

	Auburn Trails Defined Area No. 2	
	Series 2016	Series 2017
Amount Outstanding – September 30, 2019	$2,140,000	$1,855,000
Interest Rates	2.00% - 4.00%	1.90% - 4.00%
Maturity Dates - Serially Beginning/Ending	March 1, 2020/2045	March 1, 2020/2045
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2023*	March 1, 2025*

* Or any date thereafter, in whole or in part, at the option of the District, at a price equal to par plus unpaid accrued interest to the date fixed for redemption. Series 2016 term bonds maturing March 1, 2045 are subject to mandatory redemption beginning March 1, 2040. Series 2017 term bonds maturing March 1, 2033, March 1, 2036, March 1, 2040 and March 1, 2045 are subject to mandatory redemption beginning March 1, 2032, March 1, 2034, March 1, 2037 and March 1, 2041, respectively.

NOTE 3. LONG-TERM DEBT (Continued)

As of September 30, 2019, the debt service requirements on the District (inclusive of the Defined Areas) bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	$ 1,370,000	$ 1,388,381	$ 2,758,381
2021	1,410,000	1,340,449	2,750,449
2022	1,445,000	1,289,812	2,734,812
2023	1,485,000	1,242,146	2,727,146
2024	1,535,000	1,193,967	2,728,967
2025-2029	8,580,000	5,165,801	13,745,801
2030-2034	10,575,000	3,543,254	14,118,254
2035-2039	10,680,000	1,418,926	12,098,926
2040-2044	2,075,000	190,044	2,265,044
2045	235,000	4,700	239,700
	$ 39,390,000	$ 16,777,480	$ 56,167,480

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District and Defined Areas, without limitation as to rate or amount. During the year ended September 30, 2019, the District levied an ad valorem debt service tax rate of $0.3048 per $100 of assessed valuation, which resulted in a tax levy of $1,743,228 on the adjusted taxable valuation of $571,404,251 for the 2018 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. Additionally, for the 2018 tax year, the Auburn Trails Defined Area No. 1 levied an ad valorem debt service rate of $0.633 per $100 of assessed valuation which resulted in a tax levy of $388,963 on the adjusted taxable valuation of $61,467,077; the Auburn Trails Defined Area No. 2 levied an ad valorem debt service tax rate of $0.522 per $100 of assessed valuation which resulted in a tax levy of $232,972 on adjusted taxable valuation of $44,630,592; and the Hendricks defined area levied an ad valorem debt service tax rate of $0.50 per $100 of assessed valuation which resulted in a tax levy of $313,440 on the adjusted taxable valuation of $62,687,728. Note 7 for the maintenance tax levies.

The District's tax calendar is as follows:

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

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

A. All investments and any profits realized from or interest accruing on such investments shall belong to the fund from which the moneys for such investments were taken; provided, however, that in 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 bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to each nationally recognized municipal securities information depository and the state information depository. This information, along with the audited annual financial statements, is to be provided within six (6) months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

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 September 30, 2019, the carrying amount of the District's deposits was $3,671,790 and the bank balance was $3,705,435. The District was not exposed to custodial credit 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	$ 199,030	$ 2,740,000	$ 2,939,030
SPECIAL REVENUE FUNDS	4,708		4,708
DEBT SERVICE FUNDS	7,957	720,000	727,957
CAPITAL PROJECTS FUNDS	95		95
TOTAL DEPOSITS	$ 211,790	$ 3,460,000	$ 3,671,790

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

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

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

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year	Thereafter	6-10	More Than 10
GENERAL FUND					
TexPool	$ 4,785,570	$ 4,785,570	$	$	$
Certificates of Deposit	2,740,000	2,740,000			
SPECIAL REVENUE FUNDS					
TexPool	1,652,914	1,652,914			
DEBT SERVICE FUNDS					
TexPool	2,144,822	2,144,822			
Certificates of Deposit	720,000	720,000			
CAPITAL PROJECTS FUNDS					
TexPool	20,107,989	20,107,989			
TOTAL INVESTMENTS	$ 32,151,295	$ 32,151,295	$ - 0 -	$ - 0 -	$ - 0 -

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 investment in TexPool was rated AAAm by Standard and Poor's. The District manages credit risk by typically investing in certificates of deposit with balances that are covered by either the FDIC or pledged securities.

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

Restrictions

All cash and investments of the District's, Auburn Trails Defined Area No. 1, Auburn Trails Defined Area No. 2 and Hendricks Area Debt Service Funds are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the District's, Auburn Trails Defined Area No. 1, Auburn Trails Defined Area No. 2 and Hendricks Area Capital Projects Funds are restricted for the purchase of capital assets. All cash investments of the Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than those identified as a major fund) that are restricted or committed to expenditures for a specific purpose.

PORTER MUNICIPAL UTILITY DISTRICT
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	$ 2,274,400	$	$	$ 2,274,400
District Organizational Costs	244,070			244,070
Construction in Progress	408,091	986,883	309,319	1,085,655
Total Capital Assets Not Being Depreciated	$ 2,926,561	$ 986,883	$ 309,319	$ 3,604,125
Capital Assets Subject to Depreciation				
District Office Builidng	$ 193,294	$	$	$ 193,294
Wastewater System	34,815,993	303,269		35,119,262
Machinery and Equipment	772,593	6,050		778,643
Total Capital Assets Subject to Depreciation	$ 35,781,880	$ 309,319	$ - 0 -	$ 36,091,199
Less Accumulated Depreciation				
District Office Builidng	$ 99,967	$ 5,319	$	$ 105,286
Wastewater System	10,124,619	733,048		10,857,667
Machinery and Equipment	597,617	60,212		657,829
Total Accumulated Depreciation	$ 10,822,203	$ 798,579	$ - 0 -	$ 11,620,782
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 24,959,677	$ (489,260)	$ - 0 -	$ 24,470,417
Total Capital Assets, Net of Accumulated Depreciation	$ 27,886,238	$ 497,623	$ 309,319	$ 28,074,542

NOTE 7. MAINTENANCE TAX

On September 14, 2002, 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. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system. During the year ended September 30, 2019, the District levied an ad valorem maintenance tax rate of $0.1592 per $100 of assessed valuation, which resulted in a tax levy of 910,505 on the adjusted taxable valuation of $571,404,251 for the 2018 tax year. Additionally, for the 2018 tax year, the Auburn Trails Defined Area No. 1 levied an ad valorem maintenance tax rate of $0.082 per $100 of assessed valuation which resulted in a tax levy of $50,387 on the adjusted taxable valuation of $61,467,077; the Auburn Trails Defined Area No. 2 levied an ad valorem maintenance tax rate of $0.1851 per $100 of assessed valuation which resulted in a tax levy of $82,611 on the adjusted taxable valuation of $44,630,592; and the Hendricks Defined Area levied an ad valorem maintenance tax rate of $0.485 per $100 of assessed valuation which resulted in a tax levy of $304,036 on the adjusted valuation of $62,687,728.

NOTE 8. RISK MANAGEMENT

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

NOTE 9. INTERFUND PAYABLES AND RECEIVABLES

The Debt Service Fund recorded a payable to the General Fund in the amount of $1,361 for maintenance tax collections and the General Fund recorded a payable to the Capital Projects Fund in the amount of $79,100 for costs paid that were not covered by bond funds. The Auburn Trails Defined Area No. 1 Special Revenue Fund recorded a payable to the Auburn Trails Defined Area No. 1 Debt Service Fund in the amount of $32 for maintenance tax collections. The Auburn Trails Defined Area No. 1 Capital Projects Fund record a payable to the Auburn Trails Defined Area No. 1 Special Revenue Fund in the amount of $2,745 for prior year bond costs. The Auburn Trails Defined Area No. 2 Capital Projects Fund recorded a payable to the Auburn Trials Defined Area No. 2 Special Revenue Fund in the amount of $300 for costs paid in a prior year. The Auburn Trails Defined Area No. 2 Special Revenue Fund recorded a payable to the Auburn Trails Defined Area No. 1 Debt Service Fund in the amount of $62 for maintenance tax collections. The Hendricks Defined Area Capital Projects Fund recorded a payable to the Hendricks Defined Area Special Revenue Fund in the amount of $400 for costs paid in a prior year.

PORTER MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2019

PORTER MUNICIPAL UTILITY DISTRICT
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)
REVENUES			
Property Taxes	$ 900,500	$ 907,268	$ 6,768
Wastewater Service	1,660,500	1,911,592	251,092
Penalty and Interest	16,930	30,661	13,731
Investment Revenues	60,000	165,857	105,857
Miscellaneous Revenues	162,500	197,659	35,159
TOTAL REVENUES	$ 2,800,430	$ 3,213,037	$ 412,607
EXPENDITURES			
Services Operations:			
Personnel	$ 533,000	$ 602,728	$ (69,728)
Professional Fees	275,000	209,003	65,997
Contracted Services	51,000	51,946	(946)
Utilities	234,000	210,096	23,904
Repairs and Maintenance	176,100	197,799	(21,699)
Other	459,450	402,357	57,093
Capital Outlay	1,071,880	800,883	270,997
TOTAL EXPENDITURES	$ 2,800,430	$ 2,474,812	$ 325,618
NET CHANGE IN FUND BALANCE	$ -0-	$ 738,225	$ 738,225
FUND BALANCE - OCTOBER 1, 2018	6,371,114	6,371,114	
FUND BALANCE - SEPTEMBER 30, 2019	$ 6,371,114	$ 7,109,339	$ 738,225

See accompanying independent auditor's report.

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PORTER MUNICIPAL UTILITY DISTRICT

SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2019

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PORTER MUNICIPAL UTILITY DISTRICT
COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Auburn Trails Defined Area No. 1 - Debt Service Fund	Auburn Trails Defined Area No. 1 - Special Revenue Fund	Hendricks Defined Area Debt Service Fund
ASSETS			
Cash	$ 33	$ 1,998	$ 3,593
Investments	129,556	512,184	411,641
Receivables:			
Property Taxes	113	15	246
Due from Other Funds	32	2,745	
TOTAL ASSETS	$ 129,734	$ 516,942	$ 415,480
LIABILITIES			
Accounts Payable	$ 281	$ 2,019	$
Due to Other Funds		32	
TOTAL LIABILITIES	$ 281	$ 2,051	$ -0-
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	$ 113	$ 15	$ 246
FUND BALANCES			
Restricted	$ 129,340	$ 514,876	$ 415,234
TOTAL FUND BALANCES	$ 129,340	$ 514,876	$ 415,234
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 129,734	$ 516,942	$ 415,480

See accompanying independent auditor's report.

Hendricks Defined Area Special Revenue Fund	Auburn Trails Defined Area No. 2 - Debt Service Fund	Auburn Trails Defined Area No. 2- Special Revenue Fund	Total Nonmajor Funds
$ 2,639	$ 51	$ 71	$ 8,385
915,262	299,720	225,468	2,493,831
238	145	69	826
400		362	3,539
$ 918,539	$ 299,916	$ 225,970	$ 2,506,581
$ 7,063	$	$ 1,918	$ 11,281
	62		94
$ 7,063	$ 62	$ 1,918	$ 11,375
$ 238	$ 145	$ 69	$ 826
$ 911,238	$ 299,709	$ 223,983	$ 2,494,380
$ 911,238	$ 299,709	$ 223,983	$ 2,494,380
$ 918,539	$ 299,916	$ 225,970	$ 2,506,581

See accompanying independent auditor’s report.

PORTER MUNICIPAL UTILITY DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Auburn Trails Defined Area No. 1 - Debt Service Fund	Auburn Trails Defined Area No. 1 - Special Revenue Fund	Hendricks Defined Area Debt Service Fund
REVENUES			
Property Taxes	$ 387,869	$ 50,253	$ 313,660
Penalty and Interest	10		31
Investment Revenues	5,183	11,953	10,932
Miscellaneous Revenues			
TOTAL REVENUES	$ 393,062	$ 62,206	$ 324,623
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	$	$ 9,291	$
Contracted Services	6,926	9,406	6,898
Repairs and Maintenance		35,440	
Other		1,753	
Debt Service:			
Bond Principal	180,000		150,000
Bond Interest	208,368		176,766
TOTAL EXPENDITURES/EXPENSES	$ 395,294	$ 55,890	$ 333,664
NET CHANGE IN FUND BALANCES	$ (2,232)	$ 6,316	$ (9,041)
FUND BALANCES/NET POSITION - OCTOBER 1, 2018	131,572	508,560	424,275
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2019	$ 129,340	$ 514,876	$ 415,234

See accompanying independent auditor’s report.

Hendricks Defined Area Special Revenue Fund	Auburn Trails Defined Area No. 2 - Debt Service Fund	Auburn Trails Defined Area No. 2- Special Revenue Fund	Total Nonmajor Funds
$ 304,570	$ 231,657	$ 82,181	$ 1,370,190
	205		246
18,636	8,294	5,207	60,205
	3		3
$ 323,206	$ 240,159	$ 87,388	$ 1,430,644
$ 15,127	$	$ 11,416	$ 35,834
8,682	4,319	8,834	45,065
14,663		37,935	88,038
803		1,753	4,309
	95,000		425,000
	141,074		526,208
$ 39,275	$ 240,393	$ 59,938	$ 1,124,454
$ 283,931	$ (234)	$ 27,450	$ 306,190
627,307	299,943	196,533	2,188,190
$ 911,238	$ 299,709	$ 223,983	$ 2,494,380

See accompanying independent auditor’s report.

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PORTER MUNICIPAL UTILITY DISTRICT

SUPPLEMENTATRY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

SEPTEMBER 30, 2019

PORTER MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved June 18, 2019.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons	Usage Levels
WATER:	N/A	N/A	N/A	N/A	N/A
WASTEWATER:	$ 20.00	N/A	Y		

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

Total monthly charges per 10,000 gallons usage: Wastewater: $20.00

See accompanying independent auditor's report.

PORTER MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"			x 1.0	
1"			x 2.5	
1½"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	N/A	N/A		N/A
Total Wastewater Connections	5,562	5,457	x 1.0	5,457

3. TOTAL WATER CONSUMPTION DURING THE YEAR ROUNDED TO THE NEAREST THOUSAND: Not Applicable

See accompanying independent auditor's report.

PORTER MUNICIPAL UTILITY DISTRICT
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 _X_

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

5. **LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes __X__ No _____

County or Counties in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely _____ Partly ______ Not at all __X__

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

Entirely __X__ Partly __X__ Not at all _____

ETJ's in which District is located:

City of Houston, Texas; City of Conroe, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No __X__

See accompanying independent auditor's report.

PORTER MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

PERSONNEL EXPENDITURES (Including Benefits)	$	602,728
PROFESSIONAL FEES:		
Auditing	$	20,250
Engineering		135,288
Legal		53,465
TOTAL PROFESSIONAL FEES	$	209,003
CONTRACTED SERVICES:		
Bookkeeping	$	48,958
UTILITIES:		
Electricity	$	188,101
Telephone		21,995
TOTAL UTILITIES	$	210,096
REPAIRS AND MAINTENANCE	$	197,799
ADMINISTRATIVE EXPENDITURES:		
Director Fees	$	15,000
Insurance		74,067
Legal Notices		884
Office Supplies and Postage		36,041
Payroll Taxes		39,082
Travel and Meetings		6,376
TOTAL ADMINISTRATIVE EXPENDITURES	$	171,450

See accompanying independent auditor's report.

PORTER MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

CAPITAL OUTLAY	$ 800,883
SECURITY	$ 2,988
OTHER EXPENDITURES:	
Chemicals	$ 44,520
Fuel	14,490
Laboratory Fees	21,964
Permit Fees	12,243
Regulatory Assessment	7,772
Sludge Hauling	85,628
Uniforms	8,121
Other	36,169
TOTAL OTHER EXPENDITURES	$ 230,907
TOTAL EXPENDITURES	$ 2,474,812

Number of persons employed by the District 9 Full-Time 5 Part-Time

See accompanying independent auditor's report.

PORTER MUNICIPAL UTILITY DISTRICT
INVESTMENTS
SEPTEMBER 30, 2019

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
TexPool	XXXX0003	Varies	Daily	$ 4,785,570	$
Certificate of Deposit	XXXX1872	2.75%	01/08/20	240,000	4,810
Certificate of Deposit	XXXX8806	2.60%	11/23/19	240,000	5,334
Certificate of Deposit	XXXX0212	2.55%	12/01/19	240,000	5,064
Certificate of Deposit	XXXX9388	2.05%	08/31/20	240,000	418
Certificate of Deposit	XXXX4630	2.60%	06/04/20	100,000	833
Certificate of Deposit	XXXX9587	2.00%	09/10/20	240,000	250
Certificate of Deposit	XXXX2377	2.58%	07/25/20	240,000	1,120
Certificate of Deposit	XXXX8868	2.65%	04/17/20	240,000	2,892
Certificate of Deposit	XXXX5388	2.70%	02/13/20	240,000	4,066
Certificate of Deposit	XXXX6298	2.60%	05/28/20	240,000	2,120
Certificate of Deposit	XXXX2962	2.40%	10/07/19	140,000	3,286
Certificate of Deposit	XXXX0066	2.60%	06/29/20	100,000	641
Certificate of Deposit	XXXX3272	2.60%	05/19/20	140,000	1,326
Certificate of Deposit	XXXX3322	2.60%	07/06/20	100,000	605
TOTAL GENERAL FUND				$ 7,525,570	$ 32,765
SPECIAL REVENUE FUNDS					
TexPool	XXXX0010	Varies	Daily	$ 512,184	$
TexPool	XXXX0009	Varies	Daily	225,468	
TexPool	XXXX0008	Varies	Daily	915,262	
TOTAL SPECIAL REVENUE FUNDS				$ 1,652,914	$ -0-
DEBT SERVICE FUNDS					
TexPool	XXXX0001	Varies	Daily	$ 1,303,905	$
TexPool	XXXX0013	Varies	Daily	129,556	
TexPool	XXXX0012	Varies	Daily	299,720	
TexPool	XXXX0011	Varies	Daily	411,641	
Certificate of Deposit	XXXX6545	2.35%	02/16/20	240,000	634
Certificate of Deposit	XXXX0926	2.30%	02/18/20	240,000	635
Certificate of Deposit	XXXX3462	2.10%	02/16/20	240,000	566
TOTAL DEBT SERVICE FUNDS				$ 2,864,822	$ 1,835
CAPITAL PROJECTS FUNDS					
TexPool	XXXX0019	Varies	Daily	$ 18,154,355	$
TexPool	XXXX0015	Varies	Daily	119,459	
TexPool	XXXX0016	Varies	Daily	30,273	
TexPool	XXXX0020	Varies	Daily	112,753	
TexPool	XXXX0017	Varies	Daily	131,514	
TexPool	XXXX0021	Varies	Daily	93,246	
TexPool	XXXX0014	Varies	Daily	88,934	
TexPool	XXXX0022	Varies	Daily	1,377,455	
TOTAL CAPITAL PROJECTS FUNDS				$ 20,107,989	$ -0-
TOTAL - ALL FUNDS				$ 32,151,295	$ 34,600

See accompanying independent auditor's report.

PORTER MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Maintenance Taxes	Debt Services Taxes
TAXES RECEIVABLE - OCTOBER 1, 2018	$ 37,595	$ 92,310
2018 Original Tax Levy	919,380	1,760,219
2018 Original Tax Levy - Auburn Trails Defined Area No. 1	50,712	391,474
2018 Original Tax Levy - Hendricks Defined Area	304,144	313,550
2018 Original Tax Levy - Auburn Trails Defined Area No. 2	82,881	233,733
Adjustments	(11,850)	(29,638)
TOTAL TO BE ACCOUNTED FOR	$ 1,345,267	$ 2,669,338
TAX COLLECTIONS:		
Current Year	$ 907,268	1,740,053
Current Year - Auburn Trails Defined Area No. 1	50,253	387,869
Current Year - Hendricks Defined Area	304,570	313,660
Current Year - Auburn Trails Defined Area No. 2	82,181	231,657
TOTAL COLLECTIONS	$ 1,344,272	$ 2,673,239
TAXES RECEIVABLE - SEPTEMBER 30, 2019	$ 38,590	$ 88,409
TAXES RECEIVABLE BY YEAR:		
2018	$ 14,457	$ 27,501
2017	5,139	12,087
2016	2,696	6,416
2015	2,795	3,642
2014 and prior	13,503	38,763
TOTAL	$ 38,590	$ 88,409

See accompanying independent auditor’s report.

PORTER MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2018	2017	2016	2015
PROPERTY VALUATIONS:				
Land and Improvements	$ 675,141,975	$ 643,923,618	$ 606,866,403	$ 535,371,987
Personal Property	83,666,966	87,556,243	95,037,757	86,257,771
Exemptions	(187,404,690)	(187,531,142)	(178,684,134)	(150,143,947)
TOTAL PROPERTY VALUATIONS	$ 571,404,251	$ 543,948,719	$ 523,220,026	$ 471,485,811
TAX RATES PER $100 VALUATION:				
Debt Service Tax	$ 0.3048	$ 0.3368	$ 0.338	$ 0.2716
Maintenance Tax	0.1592	0.1432	0.142	0.2084
TOTAL TAX RATES PER $100 VALUATION	$ 0.4640	$ 0.4800	$ 0.480	$ 0.4800
ADJUSTED TAX LEVY*	$ 2,653,733	$ 2,613,398	$ 2,511,456	$ 2,268,506
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	98.95 %	99.56 %	99.64 %	99.72 %

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

Maintenance Tax Rates – Voters of Porter MUD approved a maximum tax rate of $0.25 per $100 of assessed valuation on September 14, 2002. Voters of Auburn Trails Defined Area No.1 and Hendricks Defined Area approved a maximum tax rate of $1.00 per $100 of assessed valuation on May 12, 2007. Voters of Auburn Trails Defined Area No. 2 approved a maximum tax rate of $1.00 per $100 of assessed valuation on May 11, 2013.

The 2018 real property valuations for Auburn Trails Defined Area No. 1 is $61,467,077, Hendricks Defined Area is $62,687,728 and Auburn Trails Defined Area No. 2 is $44,630,592. The Auburn Trails Defined Area No. 1 had a maintenance tax rate of $0.082 per $100 of assessed value and debt service rate of $0.633 per $100 of assessed value. The Hendricks Defined Area had a maintenance tax rate of $0.485 per $100 of assessed value and debt service tax rate of $0.50 per $100 of assessed value and Auburn Trails Defined Area No. 2 had a maintenance tax rate of $0.1851 per $100 of assessed value and debt service tax rate of $0.522 per $100 of assessed value.

PORTER MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

	PORTER MUNICIPAL UTILITY DISTRICT SERIES-2010 REFUNDING		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2020	$ 150,000	$ 24,075	$ 174,075
2021	160,000	18,875	178,875
2022	170,000	13,100	183,100
2023	175,000	6,844	181,844
2024	95,000	1,781	96,781
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	$ 750,000	$ 64,675	$ 814,675

See accompanying independent auditor's report.

PORTER MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

	PORTER MUNICIPAL UTILITY DISTRICT SERIES-2012 REFUNDING		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2020	$ 470,000	$ 188,975	$ 658,975
2021	475,000	175,963	650,963
2022	485,000	159,162	644,162
2023	500,000	141,925	641,925
2024	610,000	122,500	732,500
2025	750,000	98,700	848,700
2026	780,000	71,925	851,925
2027	815,000	44,012	859,012
2028	850,000	14,875	864,875
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	$ 5,735,000	$ 1,018,037	$ 6,753,037

See accompanying independent auditor’s report.

PORTER MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

	PORTER MUNICIPAL UTILITY DISTRICT SERIES-2016		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2020	$ 310,000	$ 658,662	$ 968,662
2021	325,000	639,613	964,613
2022	330,000	623,262	953,262
2023	340,000	611,563	951,563
2024	345,000	601,286	946,286
2025	330,000	591,163	921,163
2026	335,000	581,187	916,187
2027	345,000	570,988	915,988
2028	350,000	560,563	910,563
2029	1,345,000	535,138	1,880,138
2030	1,385,000	492,456	1,877,456
2031	1,425,000	446,794	1,871,794
2032	1,470,000	397,912	1,867,912
2033	1,515,000	345,675	1,860,675
2034	1,560,000	290,888	1,850,888
2035	1,610,000	232,425	1,842,425
2036	1,665,000	171,019	1,836,019
2037	1,720,000	105,400	1,825,400
2038	1,775,000	35,500	1,810,500
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	$ 18,480,000	$ 8,491,494	$ 26,971,494

See accompanying independent auditor's report.

PORTER MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

	AUBURN TRAILS DEFINED AREA NO. 1 SERIES-2014		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2020	$ 55,000	$ 59,761	$ 114,761
2021	55,000	58,455	113,455
2022	55,000	57,011	112,011
2023	60,000	55,355	115,355
2024	60,000	53,480	113,480
2025	65,000	51,367	116,367
2026	70,000	48,918	118,918
2027	70,000	46,240	116,240
2028	75,000	43,375	118,375
2029	80,000	40,275	120,275
2030	80,000	37,075	117,075
2031	85,000	33,775	118,775
2032	90,000	30,275	120,275
2033	95,000	26,516	121,516
2034	100,000	22,494	122,494
2035	105,000	18,134	123,134
2036	110,000	13,431	123,431
2037	120,000	8,325	128,325
2038	125,000	2,813	127,813
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	$ 1,555,000	$ 707,075	$ 2,262,075

See accompanying independent auditor's report.

PORTER MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

	AUBURN TRAILS DEFINED AREA NO. 1 SERIES-2015		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2020	$ 65,000	$ 83,925	$ 148,925
2021	65,000	82,300	147,300
2022	70,000	80,275	150,275
2023	70,000	78,175	148,175
2024	75,000	76,000	151,000
2025	75,000	73,656	148,656
2026	75,000	71,219	146,219
2027	80,000	68,600	148,600
2028	85,000	65,606	150,606
2029	85,000	62,419	147,419
2030	90,000	59,138	149,138
2031	95,000	55,669	150,669
2032	100,000	52,013	152,013
2033	100,000	48,138	148,138
2034	105,000	44,038	149,038
2035	110,000	39,738	149,738
2036	115,000	35,166	150,166
2037	115,000	30,422	145,422
2038	125,000	25,394	150,394
2039	260,000	17,213	277,213
2040	275,000	5,844	280,844
2041			
2042			
2043			
2044			
2045			
	$ 2,235,000	$ 1,154,948	$ 3,389,948

See accompanying independent auditor's report.

PORTER MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

	AUBURN TRAILS DEFINED AREA NO. 1 SERIES-2017		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2020	$ 65,000	$ 60,312	$ 125,312
2021	70,000	58,287	128,287
2022	70,000	56,188	126,188
2023	70,000	54,088	124,088
2024	70,000	51,988	121,988
2025	70,000	49,888	119,888
2026	75,000	47,712	122,712
2027	75,000	45,462	120,462
2028	75,000	43,119	118,119
2029	80,000	40,550	120,550
2030	80,000	37,800	117,800
2031	80,000	34,800	114,800
2032	80,000	31,600	111,600
2033	85,000	28,300	113,300
2034	90,000	24,800	114,800
2035	90,000	21,200	111,200
2036	95,000	17,500	112,500
2037	95,000	13,700	108,700
2038	95,000	9,900	104,900
2039	100,000	6,000	106,000
2040	100,000	2,000	102,000
2041			
2042			
2043			
2044			
2045			
	$ 1,710,000	$ 735,194	$ 2,445,194

See accompanying independent auditor's report.

PORTER MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

	HENDRICKS DEFINED AREA SERIES-2015		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2020	$ 45,000	$ 49,800	$ 94,800
2021	45,000	48,450	93,450
2022	45,000	47,100	92,100
2023	50,000	45,675	95,675
2024	50,000	44,150	94,150
2025	50,000	42,550	92,550
2026	55,000	40,763	95,763
2027	55,000	38,783	93,783
2028	60,000	36,625	96,625
2029	65,000	34,185	99,185
2030	65,000	31,585	96,585
2031	70,000	28,885	98,885
2032	70,000	26,085	96,085
2033	75,000	23,185	98,185
2034	80,000	20,085	100,085
2035	85,000	16,785	101,785
2036	85,000	13,385	98,385
2037	90,000	9,840	99,840
2038	95,000	6,048	101,048
2039	100,000	2,050	102,050
2040			
2041			
2042			
2043			
2044			
2045			
	$ 1,335,000	$ 606,014	$ 1,941,014

See accompanying independent auditor's report.

PORTER MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

	HENDRICKS DEFINED AREA SERIES-2017		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2020	$ 110,000	$ 123,628	$ 233,628
2021	115,000	121,263	236,263
2022	115,000	118,648	233,648
2023	115,000	115,859	230,859
2024	120,000	112,832	232,832
2025	125,000	109,429	234,429
2026	125,000	105,741	230,741
2027	135,000	101,706	236,706
2028	135,000	97,319	232,319
2029	140,000	92,711	232,711
2030	145,000	87,794	232,794
2031	150,000	82,556	232,556
2032	160,000	76,956	236,956
2033	160,000	71,156	231,156
2034	165,000	65,163	230,163
2035	170,000	58,881	228,881
2036	180,000	52,206	232,206
2037	190,000	45,038	235,038
2038	195,000	37,578	232,578
2039	200,000	29,800	229,800
2040	315,000	19,500	334,500
2041	330,000	6,600	336,600
2042			
2043			
2044			
2045			
	$ 3,595,000	$ 1,732,364	$ 5,327,364

See accompanying independent auditor's report.

PORTER MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

AUBURN TRAILS DEFINED AREA NO. 2
S E R I E S - 2 0 1 6

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2020	$ 40,000	$ 75,631	$ 115,631
2021	40,000	74,831	114,831
2022	40,000	74,031	114,031
2023	45,000	73,125	118,125
2024	45,000	72,056	117,056
2025	50,000	70,806	120,806
2026	55,000	69,294	124,294
2027	55,000	67,644	122,644
2028	60,000	65,919	125,919
2029	60,000	64,081	124,081
2030	65,000	62,088	127,088
2031	70,000	59,806	129,806
2032	75,000	57,269	132,269
2033	80,000	54,556	134,556
2034	80,000	51,706	131,706
2035	85,000	48,663	133,663
2036	90,000	45,381	135,381
2037	95,000	41,913	136,913
2038	105,000	38,097	143,097
2039	110,000	33,931	143,931
2040	115,000	29,500	144,500
2041	120,000	24,800	144,800
2042	130,000	19,800	149,800
2043	135,000	14,500	149,500
2044	145,000	8,900	153,900
2045	150,000	3,000	153,000
	$ 2,140,000	$ 1,301,328	$ 3,441,328

See accompanying independent auditor's report.

PORTER MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

	AUBURN TRAILS DEFINED AREA NO. 2 SERIES-2017		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2020	$ 60,000	$ 63,612	$ 123,612
2021	60,000	62,412	122,412
2022	65,000	61,035	126,035
2023	60,000	59,537	119,537
2024	65,000	57,894	122,894
2025	60,000	56,100	116,100
2026	60,000	54,300	114,300
2027	65,000	52,393	117,393
2028	65,000	50,345	115,345
2029	70,000	48,150	118,150
2030	70,000	45,805	115,805
2031	70,000	43,390	113,390
2032	70,000	40,905	110,905
2033	70,000	38,385	108,385
2034	75,000	35,738	110,738
2035	75,000	32,962	107,962
2036	75,000	30,188	105,188
2037	75,000	27,300	102,300
2038	75,000	24,300	99,300
2039	75,000	21,300	96,300
2040	80,000	18,200	98,200
2041	80,000	15,000	95,000
2042	80,000	11,800	91,800
2043	85,000	8,500	93,500
2044	85,000	5,100	90,100
2045	85,000	1,700	86,700
	$ 1,855,000	$ 966,351	$ 2,821,351

See accompanying independent auditor’s report.

PORTER MUNICIPAL UTILITY DISTRICT
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	$ 1,370,000	$ 1,388,381	$ 2,758,381
2021	1,410,000	1,340,449	2,750,449
2022	1,445,000	1,289,812	2,734,812
2023	1,485,000	1,242,146	2,727,146
2024	1,535,000	1,193,967	2,728,967
2025	1,575,000	1,143,659	2,718,659
2026	1,630,000	1,091,059	2,721,059
2027	1,695,000	1,035,828	2,730,828
2028	1,755,000	977,746	2,732,746
2029	1,925,000	917,509	2,842,509
2030	1,980,000	853,741	2,833,741
2031	2,045,000	785,675	2,830,675
2032	2,115,000	713,015	2,828,015
2033	2,180,000	635,911	2,815,911
2034	2,255,000	554,912	2,809,912
2035	2,330,000	468,788	2,798,788
2036	2,415,000	378,276	2,793,276
2037	2,500,000	281,938	2,781,938
2038	2,590,000	179,630	2,769,630
2039	845,000	110,294	955,294
2040	885,000	75,044	960,044
2041	530,000	46,400	576,400
2042	210,000	31,600	241,600
2043	220,000	23,000	243,000
2044	230,000	14,000	244,000
2045	235,000	4,700	239,700
	$ 39,390,000	$ 16,777,480	$ 56,167,480

See accompanying independent auditor's report.

PORTER MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Description	Original Bonds Issued	Bonds Outstanding October 1, 2018
Porter Municipal Utility District Unlimited Tax Refunding Bonds - Series 2010	$ 3,780,000	$ 890,000
Porter Municipal Utility District Unlimited Tax Refunding Bonds - Series 2012	7,095,000	6,195,000
Porter Municipal Utility District Unlimited Tax Bonds - Series 2016	19,400,000	18,795,000
Porter Municipal Utility District - Auburn Trails Defined Area No. 1 Unlimited Tax Bonds - Series 2014	1,800,000	1,605,000
Porter Municipal Utility District - Auburn Trails Defined Area No. 1 Unlimited Tax Bonds - Series 2015	2,420,000	2,300,000
Porter Municipal Utility District - Auburn Trails Defined Area No. 1 Unlimited Tax Bonds - Series 2017	1,840,000	1,775,000
Porter Municipal Utility District - Henricks Defined Area Unlimited Tax Bonds - Series 2015	1,500,000	1,375,000
Porter Municipal Utility District - Henricks Defined Area Unlimited Tax Bonds - Series 2017	3,810,000	3,705,000
Porter Municipal Utility District - Auburn Trails Defined Area No. 2 Unlimited Tax Bonds - Series 2016	2,240,000	2,175,000
Porter Municipal Utility District - Auburn Trails Defined Area No. 2 Unlimited Tax Bonds - Series 2017	1,975,000	1,915,000
TOTAL	$ 45,860,000	$ 40,730,000

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements			
Bonds Sold	Principal	Interest	Bonds Outstanding September 30, 2019	
$	$ 140,000	$ 28,715	$ 750,000	Wells Fargo Bank N.A. Houston, TX
	460,000	198,275	5,735,000	The Bank of New York Mellon Trust Co., N.A. Dallas, TX
	315,000	677,412	18,480,000	The Bank of New York Mellon Trust Co., N.A. Dallas, TX
	50,000	60,880	1,555,000	The Bank of New York Mellon Trust Co., N.A. Dallas, TX
	65,000	85,225	2,235,000	The Bank of New York Mellon Trust Co., N.A. Dallas, TX
	65,000	62,262	1,710,000	The Bank of New York Mellon Trust Co., N.A. Dallas, TX
	40,000	51,075	1,335,000	The Bank of New York Mellon Trust Co., N.A. Dallas, TX
	110,000	125,691	3,595,000	The Bank of New York Mellon Trust Co., N.A. Dallas, TX
	35,000	76,381	2,140,000	The Bank of New York Mellon Trust Co., N.A. Dallas, TX
	60,000	64,695	1,855,000	The Bank of New York Mellon Trust Co., N.A. Dallas, TX
$ - 0 -	$ 1,340,000	$ 1,430,611	$ 39,390,000	

See accompanying independent auditor's report.

PORTER MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Bond Authority:	Porter MUD Tax Bonds*	Auburn Trails Defined Area No. 1
Amount Authorized by Voters	$ 68,400,000	$ 13,365,000
Amount Issued	28,095,000	6,060,000
Remaining to be Issued	$ 40,305,000	$ 7,305,000

Debt Service Fund cash and investment balances as of September 30, 2019:	$ 2,872,779
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 2,160,288

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

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

Hendricks Defined Area	Valley Ranch Defined Area	Auburn Trails Defined Area No. 2	Porter MUD Refunding Bonds
$ 45,045,000	$ 4,500,000	$ 6,650,000	$ 4,000,000
5,310,000		4,215,000	1,769,000
$ 39,735,000	$ 4,500,000	$ 2,435,000	$ 2,231,000

See accompanying independent auditor's report.

PORTER MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	$ 907,268	$ 793,411	$ 742,268
Wastewater Service	1,911,592	2,168,256	1,624,728
Investment Revenues	165,857	78,587	35,048
Miscellaneous Revenues	228,320	194,834	493,682
TOTAL REVENUES	$ 3,213,037	$ 3,235,088	$ 2,895,726
EXPENDITURES			
Service Operations:			
Personnel	$ 602,728	$ 540,286	$ 486,463
Professional Fees	209,003	144,661	113,562
Contracted Services	51,946	48,315	85,210
Utilities	210,096	220,746	205,944
Repairs and Maintenance	197,799	218,801	245,649
Administrative Expenditures/Other	402,357	425,086	157,532
Capital Outlay	800,883	402,684	841,114
TOTAL EXPENDITURES	$ 2,474,812	$ 2,000,579	$ 2,135,474
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 738,225	$ 1,234,509	$ 760,252
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	$ - 0 -	$ - 0 -	$ (394,900)
NET CHANGE IN FUND BALANCE	$ 738,225	$ 1,234,509	$ 365,352
BEGINNING FUND BALANCE	6,371,114	5,136,605	4,771,253
ENDING FUND BALANCE	$ 7,109,339	$ 6,371,114	$ 5,136,605

See accompanying independent auditor’s report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
$ 983,681	$ 990,671	28.2 %	24.6 %	25.6 %	34.4 %	36.4 %
1,600,476	1,435,333	59.5	67.0	56.1	55.9	52.8
16,662	11,672	5.2	2.4	1.2	0.6	0.4
260,519	281,340	7.1	6.0	17.1	9.1	10.4
$ 2,861,338	$ 2,719,016	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 457,315	$ 400,599	18.8 %	16.7 %	16.8 %	16.0 %	14.7 %
153,931	240,342	6.5	4.5	3.9	5.4	8.8
92,891	110,312	1.6	1.5	2.9	3.2	4.1
202,282	209,146	6.5	6.8	7.1	7.1	7.7
280,840	402,401	6.2	6.8	8.5	9.8	14.8
170,094	140,187	12.5	13.1	5.4	5.9	5.2
909,888	600,248	24.9	12.4	29.1	31.8	22.1
$ 2,267,241	$ 2,103,235	77.0 %	61.8 %	73.7 %	79.2 %	77.4 %
$ 594,097	$ 615,781	23.0 %	38.2 %	26.3 %	20.8 %	22.6 %
$ - 0 -	$ (167,561)					
$ 594,097	$ 448,220					
4,177,156	3,728,936					
$ 4,771,253	$ 4,177,156					

See accompanying independent auditor’s report.

PORTER MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	$ 1,740,053	$ 1,849,394	$ 1,765,029
Investment Revenues	54,328	29,551	12,058
Miscellaneous Revenues	36,610	27,815	12
TOTAL REVENUES	$ 1,830,991	$ 1,906,760	$ 1,777,099
EXPENDITURES			
Debt Service and Related Costs	$ 1,858,791	$ 1,880,956	$ 2,628,732
Other	45	5,681	23,080
TOTAL EXPENDITURES	$ 1,858,836	$ 1,886,637	$ 2,651,812
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (27,845)	$ 20,123	$ (874,713)
OTHER FINANCING SOURCES (USES)			
Transfers In	$ - 0 -	$ - 0 -	$ 694,900
NET CHANGE IN FUND BALANCE	$ (27,845)	$ 20,123	$ (179,813)
BEGINNING FUND BALANCE	2,056,504	2,036,381	2,216,194
ENDING FUND BALANCE	$ 2,028,659	$ 2,056,504	$ 2,036,381
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	5,457	5,329	5,219

See accompanying independent auditor's report.

2016	2015	2019	2018	2017	2016	2015
		Percentage of Total Revenues				
$ 1,288,290	$ 1,060,423	95.0 %	97.0 %	99.3 %	99.4 %	99.7 %
7,130	3,052	3.0	1.5	0.7	0.6	0.3
16	5	2.0	1.5			
$ 1,295,436	$ 1,063,480	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 933,430	$ 932,383	101.5 %	98.6 %	147.9 %	72.1 %	87.7 %
20,624	19,978		0.3	1.3	1.6	1.9
$ 954,054	$ 952,361	101.5 %	98.9 %	149.2 %	73.7 %	89.6 %
$ 341,382	$ 111,119	(1.5) %	1.1 %	(49.2) %	26.3 %	10.4 %
$ - 0 -	$ - 0 -					
$ 341,382	$ 111,119					
1,874,812	1,763,693					
$ 2,216,194	$ 1,874,812					
5,219	4,981					

See accompanying independent auditor's report.

PORTER MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2019

District Mailing Address	-	Porter Municipal Utility District P.O. Box 1030 Porter, TX 77365
District Telephone Number	-	(713) 354-9352

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
Wayne Curry	05/2016 05/2020 (Elected)	$ 3,300	$ 375	President
Peggy L. Wetherbee	05/2018 05/2022 (Elected)	$ 2,400	$ 1,407	Vice President/ Treasurer/ Investment Officer
Mary E. Hebert	05/2016 05/2020 (Elected)	$ 3,000	$ 858	Secretary
Val R. Bankston III	05/2018 05/2022 (Elected)	$ 3,300	$ 375	Assistant Secretary
Feliciano (Fred) Ortiz	05/2017 05/2020 (Appointed)	$ 3,000	$ 375	Director

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

Submission date of most recent District Registration Form: August 9, 2018

The limit on Fees of Office that a Director may receive during a fiscal year is authorized to the maximum extent allowed by law as set by Board Resolution (TWC Section 49.060). Fees of Office are the amounts actually paid to a Director during the District's current period.

See accompanying independent auditor's report.

PORTER MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2019

Key Personnel:	Date Hired	District Fees for the year ended September 30, 2019	Title
Cathy Bate	09/01/87	$ 82,037	Office Manager
Christopher Sartain	02/02/15	$ 68,224	Operator Supervisor
Consultants:			
Young & Brooks LLP	11/16/99	$ 54,665 $ -0-	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	05/15/18	$ 35,250	Auditor
Municipal Accounts & Consulting, L.P.	12/20/05	$ 85,833	Bookkeeper
A&S Associates, Inc.	09/20/05	$ 294,902	Engineer
Blitch Associates, Inc.	11/17/09	$ -0-	Financial Advisor
Katherine Turner	05/06	$ -0-	Investment Officer

See accompanying independent auditor's report.

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _______________________________
Authorized Officer

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