OFFICIAL STATEMENT DATED JANUARY 26, 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 THE GROSS INCOME OF THE OWNERS OF THE BONDS FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER EXISTING STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS, AND THAT THE BONDS ARE NOT SPECIFIED PRIVATE ACTIVITY BONDS. SEE "LEGAL MATTERS" AND "TAX MATTERS" HEREIN FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

THE BONDS HAVE BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

BOOK-ENTRY-ONLY

Insured Rating (BAM):S&P "AA" (stable outlook)
Underlying Rating: Moody's "A3"
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

$2,575,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

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

UNLIMITED TAX REFUNDING BONDS SERIES 2021

Dated: February 1, 2021 **Due: March 1, as shown below**

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

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

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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2022	$ 350,000	3.00 %	0.22 %	414939 KR8	2026	$ 80,000	3.00 %	0.75 %	414939 KV9
2023	345,000	3.00	0.30	414939 KS6	2027	100,000	3.00	0.84	414939 KW7
2024	60,000	3.00	0.46	414939 KT4	***	***	***	***	***
2025	60,000	3.00	0.59	414939 KU1	2036	375,000 (c)	2.00	1.59	414939 LF3

$205,000 Term Bonds due March 1, 2029 (c), 414939 KY3 (b), 2.00% Interest Rate, 1.01% Yield(a)
$205,000 Term Bonds due March 1, 2031 (c), 414939 LA4 (b), 2.00% Interest Rate, 1.25% Yield(a)
$395,000 Term Bonds due March 1, 2033 (c), 414939 LC0 (b), 2.00% Interest Rate, 1.42% Yield(a)
$400,000 Term Bonds due March 1, 2035 (c), 414939 LE6 (b), 2.00% Interest Rate, 1.54% Yield(a)

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

(b) CUSIP Numbers have been assigned to the Bonds by the CUSIP Service Bureau 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) The Bonds maturing on and after March 1, 2029 are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on March 1, 2027, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of Harris County Municipal Utility District No. 65 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Young & Brooks, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Underwriter's Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about February 25, 2021.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

OFFICIAL STATEMENT SUMMARY

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

THE FINANCING

The Issuer ....Harris County Municipal Utility District No. 65 (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."

The Issue..$2,575,000 Harris County Municipal Utility District No. 65, Unlimited Tax Refunding Bonds, Series 2021, dated February 1, 2021, are issued pursuant to an order (the "Bond Order") of the District's Board of Directors. The Bonds will be issue as fully registered bonds maturing in the years and in the amounts and accruing interest at the rates shown on the cover hereof. Interest on the Bonds will accrue from February 1, 2021 and will be payable September 1 and March 1 of each year commencing September 1, 2021 until maturity or prior redemption and will be calculated on the basis of 360-day year consisting of twelve 30-day months.

The Bonds maturing on and after March 1, 2029 are subject to optional redemption, in whole or, from time to time, in part, on March 1, 2027, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. The Term Bonds (defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. If fewer than all the Bonds are redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be selected by the District in integral multiples of $5,000 in any one maturity. If fewer than all the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple thereof. See "THE BONDS."

Book-Entry-Only ....The Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC, which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "BOOK-ENTRY- ONLY SYSTEM."

Source of Payment...........................The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. See "THE BONDS—Source and Security for Payment."

Use of Proceeds...............................Proceeds from the sale of the Bonds, together with other lawfully available District funds, will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund and defease $2,545,000 of the District's Outstanding Bonds (hereinafter defined) in order to achieve annual and net present value savings in the District's annual debt service expense. The bonds to be refunded and discharged with Bond proceeds are referred to herein as the "Refunded Bonds." After the issuance of the Bonds, $16,950,000 principal amount of the Outstanding Bonds will remain outstanding (the "Remaining Outstanding Bonds") and the District's total outstanding bonded indebtedness will be $19,525,000. See "PLAN OF FINANCING—Refunded Bonds" and "—Sources and Uses of Funds."

Payment Record ....The District has previously issued two series of unlimited tax and revenue bonds, eight series of unlimited tax bonds and four series of unlimited tax refunding bonds, of which an aggregate principal amount of $19,495,000 is currently outstanding (the "Outstanding Bonds"). The District has never defaulted on the payment and principal and interest on the previously issued bonds. See "FINANCIAL STATEMENT."

Qualified Tax-Exempt Obligations .... In the Bond Order, the District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS—Qualified Tax-Exempt Obligations."

Bond Counsel .... Young & Brooks, Bond Counsel, Houston, Texas.

Underwriter's Counsel .... McCall, Parkhurst & Horton L.L.P, Houston, Texas.

Financial Advisor .... Masterson Advisors LLC, Houston, Texas.

Paying Agent/Registrar .... The Bank of New York Mellon Trust Company, National Association, Dallas, Texas.

Verification Agent .... Public Finance Partners LLC, Minneapolis, Minnesota. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

Municipal Bond Insurance *and Rating* .... It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer"). The Bonds also have been assigned an underlying credit rating of "A3" by Moody's Investors Service ("Moody's") without regard to credit enhancement. See "INVESTMENT CONSIDERATIONS—Municipal Bond Insurance Risk Factors," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE," and "APPENDIX B."

THE DISTRICT

Description .... The District is a political subdivision of the State of Texas located in Harris County approximately 25 miles west of the central business district of the City of Houston, Texas. The District contains approximately 517 acres of land, all of which are within the exclusive extraterritorial jurisdiction of the City of Houston and within the Katy Independent School District. The District is bounded on the south by Franz Road and bisected by Porter Road.

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

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

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

While the potential impact of 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.

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

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017 and brought historic levels of rainfall during the successive four days. However, according to the District's Operator, the District's System did not sustain any material damage and there was no interruption of water and sewer service. According to the District's Operator, after investigation, it appeared that approximately 200 out of approximately 1,800 homes within the District experienced water incursions or other significant damage. In addition, to the knowledge of the District, no commercial improvements within the District experienced structural flooding or other damage as a result of Hurricane Harvey. See "THE SYSTEM."

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

Status of Development.....................Within the District approximately 370 acres have been developed for single family residential purposes and approximately 64 commercial acres are served with trunk facilities. The District also has 55 acres of land in easements, plant sites, recreational facilities and rights-of-way and 24 acres of developable, but undeveloped land. In addition, approximately 4 acres of land within the District is owned by a church and is tax-exempt. Recreational amenities within the District include a recreation site with a swimming pool and a basketball court.

Single family residential development includes Williamsburg Parish, Sections One and Three through Eleven, Lakecrest Village, Sections One through Five, Lakecrest Forest, Sections One through Nine, Lakecrest Park, Sections One through Three, and Katy Oaks, Sections One through Three (collectively containing approximately 1,905 single family residential lots on approximately 370 acres). The average home value on the tax rolls of the District for the 2020 tax year is approximately $225,000. As of December 15, 2020, the District contained approximately 1,880 occupied single-family homes, 9 homes under construction, and 16 unoccupied single-family homes. See "THE DISTRICT—Status of Development."

The District is unaware of any development plans on the remaining approximately 24 acres of developable land at this time.

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special investment risks, 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 "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION

2020 Taxable Assessed Valuation	$425,981,580	(a)
Gross Direct Debt Outstanding	$19,525,000	(b)
Estimated Overlapping Debt	22,051,287	
Gross Direct Debt and Estimated Overlapping Debt	$41,576,287	
Ratios of Gross Direct Debt to:		
2020 Taxable Assessed Valuation	4.58%	
Ratios of Gross Direct and Estimated Overlapping Debt to:		
2020 Taxable Assessed Valuation	9.76%	
2020 Debt Service Tax Rate	$0.40	
2020 Maintenance Tax Rate	0.20	
Total	$0.60	
Average percentage of total tax collections (2015-2019)	99.63%	
Average Annual Debt Service Requirement (2021-2036)	$1,508,837	(c)
Tax Rate Required to Pay Average Annual Debt Service (2021-2036) at a 95% Collection Rate Based upon 2020 Taxable Assessed Valuation	$0.38	
Maximum Annual Debt Service Requirement (2022)	$1,652,973	(c)
Tax Rate Required to Pay Maximum Annual Debt Service (2022) at a 95% Collection Rate Based upon 2020 Taxable Assessed Valuation	$0.41	
Status of Water Connections as of December 15, 2020 (d):		
Single family - occupied	1,880	
Single family – unoccupied	16	
Builder connections	9	
Commercial	7	
Other	31	
Total	1,943	
Estimated 2020 Population	6,580 (e)	

(a) The Harris County Appraisal District (the "Appraisal District") has certified $421,554,549 of taxable value and an additional $4,427,031 remains uncertified and subject to protest, review, and downward adjustment prior to certification. The 2020 Taxable Assessed Valuation shown herein is the certified value plus the uncertified value. See "TAX PROCEDURES."
(b) Includes the Bonds. See "PLAN OF FINANCING—Outstanding Bonds."
(c) See "DEBT SERVICE REQUIREMENTS."
(d) See "THE DISTRICT—Status of Development."
(e) Based upon 3.5 persons per occupied home.

OFFICIAL STATEMENT

$2,575,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

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

UNLIMITED TAX REFUNDING BONDS, SERIES 2021

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 65 (the "District") of its $2,575,000 Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds").

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

This Official Statement includes descriptions of, among others, 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 document. Copies of documents may be obtained from Young & Brooks, Bond Counsel, 10000 Memorial Drive, Suite 260, Houston, Texas, 77024, upon the payment of the costs of duplication.

PLAN OF FINANCING

Purpose

At a bond election held within the District, voters of the District authorized the issuance of $25,000,000 principal amount of unlimited tax bonds for purchasing and constructing water, sewer and drainage facilities and refunding of such bonds. The District currently has $19,495,000 principal amount of bonds outstanding (the "Outstanding Bonds").

The proceeds of the Bonds, together with certain available funds of the District, are being used to currently refund and defease a portion of the District's Unlimited Tax Refunding Bonds, Series 2012 and Unlimited Tax Bonds, Series 2013 totaling $2,545,000 (the "Refunded Bonds") in order to achieve a net savings in the District's debt service expense. The proceeds will also be used to pay the costs of issuance of the Bonds. See "Sources and Uses of Funds." A total of $16,950,000 in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds") and the District's total outstanding bonded indebtedness will be $19,525,000.

Outstanding Bonds

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

Series	Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds	Remaining Outstanding Bonds
2012	$ 2,870,000	$ 860,000	$ 570,000	$ 290,000
2013	2,000,000	2,000,000	1,975,000	25,000
2014	2,820,000	1,860,000	-	1,860,000
2015	4,140,000	3,540,000	-	3,540,000
2015A	6,080,000	4,000,000	-	4,000,000
2018	2,255,000	2,000,000	-	2,000,000
2019	5,270,000	5,235,000	-	5,235,000
Total	$ 25,435,000	$ 19,495,000	$ 2,545,000	$ 16,950,000
The Bonds				2,575,000
The Bonds and Remaining Outstanding Bonds				$ 19,525,000

Refunded Bonds

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

Maturity Date March 1	Series 2012	Series 2013	
2022	$ 285,000	$ 50,000	
2023	285,000	50,000	
2024	-	50,000	
2025	-	50,000	
2026	-	70,000	(a)
2027	-	90,000	(a)
2028	-	90,000	(a)
2029	-	100,000	(a)
2030	-	100,000	(a)
2031	-	100,000	(a)
2032	-	200,000	(a)
2033	-	200,000	(a)
2034	-	200,000	(a)
2035	-	225,000	(a)
2036	-	400,000	(a)
	$ 570,000	$ 1,975,000	
Redemption Date:	3/1/2021	3/1/2021	

(a) Represents term bond mandatory sinking fund payments.

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds	$2,575,000.00
Plus: Premium on the Bonds	113,552.55
Plus: Transfer from Debt Service Fund	48,000.00
Total Sources of Funds	$2,736,552.55
Uses of Funds:	
Deposit to Paying Agent for Refunded Bonds	$2,600,087.50
Issuance Expenses and Underwriters' Discount (a)	136,465.05
Total Uses of Funds	$2,736,552.55

(a) Includes municipal bond insurance premium.

Payment of Refunded Bonds

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

The Bond Order provides that from the proceeds of the sale of the Bonds and certain available funds of the District, the District will deposit with the Paying Agent for the Refunded Bonds the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Paying Agent for the Refunded Bonds in a segregated payment account (the "Payment Account"). At the time of delivery of the Bonds, Public Finance Partners LLC, will verify to the District, the Paying Agent for the Refunded Bonds, Bond Counsel, and the Financial Advisor that the monies held in the Payment Account are sufficient to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS." By the deposit of the cash with the Paying Agent for the Refunded Bonds and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolution of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of so deposited, and the amounts so deposited in the Payment Account will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds ($2,545,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Less: Debt Service on the Refunded Bonds	Plus: Debt Service on the Bonds Principal	Interest	Total	Total Debt Service Requirements
2021	$ 1,698,411	$ 110,175		$ 35,846	$ 35,846	$ 1,624,082
2022	1,685,217	438,444	$ 350,000	56,200	406,200	1,652,973
2023	1,662,927	424,981	345,000	45,775	390,775	1,628,720
2024	1,659,408	132,219	60,000	39,700	99,700	1,626,889
2025	1,651,864	130,156	60,000	37,900	97,900	1,619,608
2026	1,636,777	147,681	80,000	35,800	115,800	1,604,896
2027	1,615,298	164,381	100,000	33,100	133,100	1,584,016
2028	1,612,244	160,669	100,000	30,600	130,600	1,582,175
2029	1,597,603	166,750	105,000	28,550	133,550	1,564,403
2030	1,586,569	162,563	105,000	26,450	131,450	1,555,456
2031	1,554,669	158,313	100,000	24,400	124,400	1,520,756
2032	1,571,544	251,938	200,000	21,400	221,400	1,541,006
2033	1,511,813	243,188	195,000	17,450	212,450	1,481,075
2034	1,446,238	234,188	190,000	13,600	203,600	1,415,650
2035	1,409,659	249,344	210,000	9,600	219,600	1,379,916
2036	790,516	409,500	375,000	3,750	378,750	759,766
Total	$ 24,690,755	$ 3,584,488	$ 2,575,000	$ 460,121	$ 3,035,121	$ 24,141,388

Maximum Annual Debt Service Requirement (2022)..$1,652,973
Average Annual Debt Service Requirements (2021-2036)..$1,508,837

THE BONDS

General

The Bonds are dated February 1, 2021, and mature on March 1 in each of the years and in the amounts shown on the cover page hereof. Interest will accrue from February 1, 2021, at the rates per annum shown on the cover hereof, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1 and September 1 ofeach year, commencing September 1, 2021 until the earlier of maturity or redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Initially, principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, National Association in Dallas, Texas (the "the Paying Agent/Registrar," "Paying Agent," or "Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM".

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

Authority for Issuance

At four elections held within the District, voters authorized $4,200,000 unlimited tax and revenue bonds for purposes of acquiring or constructing water, sanitary sewer and drainage facilities and $33,500,000 unlimited tax bonds for purposes of acquiring or constructing water, sanitary sewer and drainage facilities, and refunding purposes. After sale of the Bonds, the District will have $385,000 principal amount of unlimited tax and revenue bonds authorized but unissued for purposes of acquiring or constructing water, sanitary sewer and drainage facilities, and $6,610,000 unlimited tax bonds authorized but unissued for purposes of construction and acquisition of facilities and improvements, and refunding purposes. See "THE BONDS— Issuance of Additional Debt."

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; Chapter 1207, Texas Government Code, as amended; and City of Houston Ordinance No. 97-416. Before the Bonds can be issued, the Attorney General of Texas must pass on the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement. See "LEGAL MATTERS—Legal Opinions."

Source and Security for Payment

The Bonds (together with the Remaining Outstanding Bonds and such additional tax bonds as may hereafter be issued by the District) are payable from and secured by a pledge of the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District (see "TAX PROCEDURES"). The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds.

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

Funds

In the Bond Order, the Debt Service Fund is confirmed, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, in such fund. Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt.

Redemption Provisions

Optional Redemption: The Bonds maturing on and after March 1, 2029, are subject to redemption at the option of the District prior to their maturity dates on March 1, 2027, or on any date thereafter at a price of par plus unpaid accrued interest from the most recent Interest Payment Date to the date fixed for redemption.

If fewer than all the Bonds are optionally redeemed at any time, the Bonds to be redeemed shall be selected by the District in integral multiples of $5,000 in principal amount, and if fewer than all of the Bonds of a given maturity are selected to be redeemed, the specific Bonds within a maturity shall be selected by lot or other customary method (or by the DTC in accordance with its procedures while the Bonds are in book-entry-only form).

Mandatory Redemption: The Bonds due on March 1, in each of the years 2029, 2031, 2033 and 2035 (the "Term Bonds") are also subject to mandatory sinking fund redemption by the District by lot or other customary method of random selection prior to scheduled maturity on March 1 in the years ("Mandatory Redemption Dates") and in the amounts set forth below, at a redemption price of par plus accrued interest to the date of redemption:

$205,000 Term Bonds
Due March 1, 2029

Mandatory Redemption Date	Principal Amount
2028	$ 100,000
2029 (maturity)	105,000

$205,000 Term Bonds
Due March 1, 2031

Mandatory Redemption Date	Principal Amount
2030	$ 105,000
2031 (maturity)	100,000

$395,000 Term Bonds
Due March 1, 2033

Mandatory Redemption Date	Principal Amount
2032	$ 200,000
2033 (maturity)	195,000

$400,000 Term Bonds
Due March 1, 2035

Mandatory Redemption Date	Principal Amount
2034	$ 190,000
2035 (maturity)	210,000

The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, prior to the date of mailing of notice of such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption in the manner specified in the Bond Order. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding are to be redeemed, the maturities of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

If a Bond subject to redemption is in a denomination larger than $5,000, a portion of such Bond may be redeemed, but only in integral multiples of $5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefore a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Method of Payment of Principal and Interest

In the Bond Order, the Board has appointed The Bank of New York Mellon Trust Company, National Association as Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas. Interest on each Bond shall be payable by check or draft payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the registered owners as shown on the Bond register kept by the Paying Agent/Registrar ("Registered Owners") on the fifteenth (15th) day (whether or not a business day) of the month prior to each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed to by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Order.

Registration

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

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"), necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT— General." The District's voters have authorized the issuance of a total of $4,200,000 unlimited tax and revenue bonds and $33,500,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and improvements and could authorize additional amounts. Following the issuance of the Bonds, the District will have $385,000 of unlimited tax and revenue bonds and $6,610,000 of unlimited tax bonds authorized but unissued for improvements and facilities and refunding purposes.

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

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

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

Annexation

The District lies within the extraterritorial jurisdiction of the City of Houston (the "City"). Generally under Texas law, the District may be annexed in whole, but not in part, by the City without the District's consent, in which case the City must assume the assets, functions and obligations of the District, including the Bonds. However, under legislation effective December 1, 2017, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. No representation is made concerning the likelihood of annexation or the ability of the City to make debt service payments should annexation occur.

Strategic Partnership

The District is authorized to enter into a strategic partnership agreement with the City of Houston 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 were to be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for the continuance of the District as a limited district following general purpose annexation by the City, the conversion of a limited purpose annexation to a general purpose annexation within ten years, 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. Although the City has negotiated and entered into such an agreement with several other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District. No representation can be made regarding the future likelihood of a strategic partnership agreement or the terms thereof.

Consolidation

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

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 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. Further, certain traditional legal remedies also may not be available. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District nor the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

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

General

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

THE DISTRICT

General

Harris County Municipal Utility District No. 65 (the "District") is a political subdivision of the State of Texas created by order of the Texas Water Rights Commission, now the TCEQ, on December 21, 1976, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the TCEQ.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District, after approval by the TCEQ and the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to the acquisition, construction and improvement of waterworks, wastewater, drainage, parks and recreation facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to lots and reserves described in the subdivision plat that have been approved by the Planning Commission of the City of Houston and filed in the real property records. Construction and operation of the District's drainage system are subject to the regulatory jurisdiction of additional State of Texas agencies. See "THE SYSTEM."

Description and Location

The District, which contains approximately 517 acres of land, is located in the western portion of Harris County approximately 25 miles west of the downtown business area of Houston and is located wholly within the exclusive extraterritorial jurisdiction of the City of Houston. The District is within the Katy Independent School District. The District is bounded on the south by Franz Road and bisected by Porter Road.

Status of Development

The District encompasses approximately 517 acres of land. Within the District approximately 370 acres have been developed for single family residential purposes and approximately 64 commercial acres are served with trunk facilities. The District also has 55 acres of land in easements, plant sites, recreational facilities and rights-of-way and 24 acres of developable, but undeveloped land. In addition, approximately 4 acres of land within the District is owned by a church and is tax-exempt. Recreational amenities within the District include a recreation site with a swimming pool and a basketball court.

Single family residential development includes Williamsburg Parish, Sections One and Three through Eleven, Lakecrest Village, Sections One through Five, Lakecrest Forest, Sections One through Nine, Lakecrest Park, Sections One through Three, and Katy Oaks, Sections One through Three (collectively containing approximately 1,905 single family residential lots on approximately 370 acres). The average home value on the tax rolls of the District for the 2020 tax year is approximately $225,000. As of December 15, 2020, the District contained approximately 1,880 occupied single-family homes, 9 homes under construction, and 16 unoccupied single-family homes.

The District is unaware of any development plans on the remaining approximately 24 acres of developable land at this time.

Community Facilities

Community facilities are available in the general vicinity of the District. Neighborhood shopping facilities, including supermarkets, pharmacies, cleaners, restaurants, banking facilities, and other retail and service establishments are located within four miles of the District in the Katy Freeway/Mason Road area near the District. Fire protection is provided by the West-I-10 Volunteer Fire Department, which operates from a fire station located less than one mile from the District. Children residing within the District attend schools within the Katy Independent School District. Community recreation facilities within the District include a swimming pool and playground area.

MANAGEMENT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms in May of even numbered years only. One of the directors resides within the District and the three other directors own property within the District. Directors are elected by the voters within the District for four-year staggered terms. The current members and officers of the Board along with their titles and terms, are listed as follows:

Name	Title	Term Expires
Richard Marshall	President	May 2022
Michael Allbritton	Vice President	May 2022
Brenda Lassen	Secretary	May 2024
Whitney Fisher	Assistant Secretary	May 2024
Brian Maness	Director	May 2022

The District contracts for certain necessary services as described below:

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Harris County Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District to collect the District's taxes. Wheeler & Associates, Inc. is currently serving in this capacity for the District.

System Operator

The District contracts with Municipal Operations & Consulting Inc. (the “Operator”), for maintenance and operation of the District's system.

Bookkeeper

The District contracts with Myrtle Cruz, Inc. (the “Bookkeeper”) for bookkeeping services for the District.

Engineer

The consulting engineer for the District is Edminster, Hinshaw, Russ & Associates Inc., Houston, Texas (the “Engineer”).

Auditor

The District's audited financial statements for the year ended October 31, 2019 were prepared by Mark C. Eyring, CPA, PLLC. See “APPENDIX A” for a copy of the District's October 31, 2019 financial statement. The District has engaged Mark C. Eyring, CPA, PLLC to audit its financial statements for the year ended October 31, 2020.

Bond Counsel and General Counsel

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

Financial Advisor

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

THE SYSTEM

Regulation

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

Water Supply

The District owns and operates its own water plant, which consists of a 1,500 gpm water well, 30,000 gallons of pressure tank capacity, 520,000 gallons of ground storage tank capacity and 3,900 gpm booster pump capacity. According to the District Engineer, the District has adequate capacity to serve 2,500 equivalent single-family connections, which is sufficient to serve the current development in the District and the projected future build out. The District has emergency interconnects with Harris County Municipal Utility District No. 64 and Harris County Municipal Utility District No. 432, which are normally closed.

Subsidence District Requirements

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

The District is included in the Groundwater Reduction Plan ("GRP") prepared by the City of Houston (the "City"), in order to meet the Subsidence District requirements pursuant to a contract entered into between the District and the City. As a participant in the City's GRP, the District has complied with all Subsidence District requirements in regard to the conversion to surface water but is obligated to pay to the City a groundwater withdrawal fee for all groundwater produced and used by the District and a water purchase fee for any water actually purchased from the City by the District in the future.

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

Wastewater Treatment

The District currently owns 541,151 gallons per day ("gpd") of capacity in the jointly owned 3.0 million gpd Williamsburg Regional Wastewater Treatment Facility (the "Regional Plant"), which is jointly owned by Harris County Municipal Utility Districts Nos. 61, 62, 63, and 64, West Harris County Municipal Utility Districts Nos. 2 and 5, and the District. According to the District Engineer, the District's capacity is adequate to serve approximately 2,405 equivalent single-family connections, which is sufficient to serve the current development in the District and the projected future build-out.

100-Year Flood Plain

“Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the l00-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, a portion of the undeveloped area in the District lies within the 500-year flood plain elevation as designated by the Federal Emergency Management Administration Flood Insurance Rate Map dated November 15, 2019. Approximately thirteen (13) acres of undeveloped land is in Zone X of the special flood hazard area. It is anticipated that this tract will be developed according to National Flood Insurance Program standards. See “INVESTMENT CONSIDERATIONS—Extreme Weather Events; Hurricane Harvey.”

The National Weather Service recently completed a rainfall study known as National Oceanic and Atmospheric Administration (“NOAA”) Atlas 14, Volume 11 Participation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

Date of Authorization	Purpose	Amount Authorized	Issued to Date	Amount Unissued
01/05/77, 7/25/81, 07/27/99, 09/14/02	Water, Sanitary Sewer and Drainage and Refunding	$37,700,000	$30,705,000*	$6,995,000

* Includes the Bonds.

FINANCIAL STATEMENT

2020 Taxable Assessed Valuation	425,981,580(a)
The Outstanding Bonds	$19,495,000
Less: Refunded Bonds	2,545,000
Plus: The Bonds	2,575,000
Gross Debt Outstanding	$19,525,000

Ratios of Gross Direct Debt to:

2020 Taxable Assessed Valuation	4.58%

Area of District—517 acres Estimated 2020 Population – 6,580 (b)

(a) The Harris County Appraisal District (the "Appraisal District") has certified $421,554,549 of taxable value and an additional $4,427,031 remains uncertified and subject to protest, review, and downward adjustment prior to certification. The 2020 Taxable Assessed Valuation shown herein is the certified value plus the uncertified value. See "TAX PROCEDURES."

(b) Estimate based upon 3.5 persons per occupied home.

Cash and Investment Balances as of January 12, 2020

Capital Projects Fund	Cash and Investments	$863,308
Debt Service Fund	Cash and Investments	$1,033,335 (a)
Operating Fund	Cash and Investments	$2,083,834

(a) The District will apply funds in the amount of $48,000 from the Debt Service Fund, together with Bond proceeds, to currently refund a portion of the Outstanding Bonds. Neither the Bond Order nor Texas law requires the District to maintain any particular balance in such fund.

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District are invested in short-term obligations of the U.S. Treasury and federal agencies, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third-party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own or intend to purchase long-term securities or derivative products.

ESTIMATED OVERLAPPING DEBT STATEMENT

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas or other publicly available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Katy Independent School District………………	$ 1,888,706,959	11/30/2020	0.98%	$ 19,642,552
Harris County……………………………………	1,743,427,125	11/30/2020	0.08%	1,569,084
Harris County Flood Control District…………	334,270,000	11/30/2020	0.09%	300,843
Harris County Hospital District………………..	86,050,000	11/30/2020	0.09%	77,445
Harris County Department of Education………	20,185,000	11/30/2020	0.09%	18,167
Port of Houston Authority………………………	492,439,397	11/30/2020	0.09%	443,195
Total Estimated Overlapping Debt………………				$ 22,051,287
The District………………………………………	19,525,000 (a)	Current	100.00%	19,525,000
Total Direct and Estimated Overlapping Debt..				$ 41,576,287
Ratio of Estimated Direct and Overlapping Debt to 2020 Taxable Assessed Valuation….				9.76%

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

Overlapping Taxes for 2020

		2020 Tax Rate per $100 of Taxable Assessed Valuation
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority……………………………………	$	0.60419
Katy Independent School District……………………………………………………..		1.38880
Harris County ESD No. 48……………………………………………………………….		0.09939
Total Overlapping Tax Rate…………………………………………………………..	$	2.09238
The District………………………………………………………………………………		0.60000
Total Tax Rate……………………………………………………………………………	$	2.69238

TAX DATA

Tax Collections

The following statement of tax collections set forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to such records for further and more complete information. Differences in totals may vary slightly from other information herein due to differences in dates of data.

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of December 31, 2020 (a) Amount	Percent
2015	$ 269,258,002	$ 0.84	$ 2,261,760	$ 2,257,190	99.80%
2016	333,302,775	0.73	2,433,102	2,426,235	99.72%
2017	387,900,144	0.67	2,598,922	2,592,968	99.77%
2018	397,194,370	0.64	2,542,036	2,537,746	99.83%
2019	411,181,106	0.62	2,549,314	2,524,029	99.01%
2020	425,981,580	0.60	2,555,889	(b)	(b)

(a) Taxes are due upon receipt of bill therefor and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. No split payments are allowed and no discounts are allowed.

(b) In process of collection. Taxes for the 2020 year are due on January 31, 2021.

Tax Rate Distribution

	2020	2019	2018	2017	2016
Debt Service	$ 0.40	$ 0.42	$ 0.44	$ 0.50	$ 0.55
Maintenance and Operations	0.20	0.20	0.20	0.17	0.18
Total	$ 0.60	$ 0.62	$ 0.64	$ 0.67	$ 0.73

Tax Rate Limitations

Debt Service:	Unlimited (no legal limit as to rate or amount)
Maintenance:	$0.20 per $100 Assessed Valuation

Debt Service Tax

The Board will covenant in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax for 2020 in the amount of $0.40 per $100 assessed valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Pursuant to an election held on January 15, 1977, the Board was authorized to levy such a maintenance tax in an amount not to exceed $0.20 per $100 assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Remaining Outstanding Bonds, the Bonds and any additional tax bonds which may be issued in the future. The District levied a maintenance tax for 2020 in the amount of $0.20 per $100 assessed valuation.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. For tax year 2020, the District has not granted a general residential homestead exemption and has granted an exemption of $5,000 of assessed valuation for homesteads of persons 65 years of age or older and for certain disabled persons.

Principal Taxpayers

The following table represents the principal taxpayers, the type of property, the taxable assessed value of such property and such property's certified assessed value as a percentage of the 2020 Certified Taxable Assessed Valuation of $421,554,549, which represents certified ownership as of January 1, 2020. A principal taxpayer list related to the uncertified portion of the 2020 Taxable Assessed Valuation ($4,427,031) is not available from the Appraisal District. Differences in totals may vary slightly from other information herein due to differences in dates of data.

Taxpayer	Type of Property	2020 Certified Taxable Assessed Valuation	% of 2020 Certified Taxable Assessed Valuation
Sabic US Holding LP	Land	$ 20,568,143	4.88%
Franz Katy LLP	Land	1,449,717	0.34%
Centerpoint Energy Houston Electric	Personal	1,393,830	0.33%
Anglia Homes LP	Land and Improvements	1,243,485	0.29%
Katy-Porter Properties LLC	Land and Improvements	1,169,292	0.28%
AMBU Enterprise LLC	Land and Improvements	851,256	0.20%
FLDG Associates Pool 7 LLC	Land and Improvements	794,216	0.19%
Charlton Plaza LTD	Land	619,420	0.15%
Comcast of Houston LLC	Personal	495,350	0.12%
Individual	Land and Improvements	479,691	0.11%
Total		$ 29,064,400	6.89%

Summary of Assessed Valuation

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see “TAX PROCEDURES—Valuation of Property for Taxation”). The following represents the composition of certified property comprising the 2018 through 2020 Taxable Assessed Valuations. A breakdown of the uncertified portion of the 2020 Taxable Assessed Valuation is not available from the Appraisal District. Differences in totals may vary slightly from other information herein due to differences in dates of data.

	2020 Taxable Assessed Valuation	2019 Taxable Assessed Valuation	2018 Taxable Assessed Valuation
Land	$ 90,689,579	$ 84,266,429	$ 73,921,244
Improvements	336,987,349	331,898,520	327,475,566
Personal Property	3,809,715	4,286,594	3,654,297
Exemptions	(9,932,094)	(9,270,437)	(7,856,737)
Certified Total	421,554,549	411,181,106	397,194,370
Uncertified Value	4,427,031	-	-
Total	$ 425,981,580	$ 411,181,106	$ 397,194,370

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 assessed valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2020 Taxable Assessed Valuation of $425,981,580. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and the Remaining Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “INVESTMENT CONSIDERATIONS—Factors Affecting Taxable Values and Tax Payments.”

Average Annual Debt Service Requirement (2021-2036) $1,508,837
$0.38 Tax Rate on 2020 Taxable Assessed Valuation at 95% collections.............................. $1,537,794

Maximum Annual Debt Service Requirement (2022)... $1,652,973
$0.41 Tax Rate on 2020 Taxable Assessed Valuation at 95% collections.............................. $1,659,198

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2020 tax year, the District has granted an exemption of $5,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, effective January 1, 2018, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, effective January 1, 2018, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

General Residential Homestead Exemption

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

Valuation of Property for Taxation

Generally, all taxable property in the District (other than any qualifying agricultural or timber land) must be appraised by the Harris County Appraisal District at one hundred percent (100%) of market value as of January 1 of each year, subject to review and approval by the Appraisal Review Board. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited to 10 percent annually regardless of the market value of the property. Houses or lots held for sale by a developer or builder which remain unoccupied, are not leased or rented and produce no income are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business. Valuation of lots or houses at inventory level in future years could reduce the assessed value of such property within the District. The Property Tax Code also requires the Chief Appraiser to reduce the market value of any property by the estimated cost of any remedial action by a property owner to correct, mitigate or prevent pollution.

Certain land may be appraised at less than market value under the Property Tax Code. Upon application of a landowner, land which qualifies as “open-space land” is appraised based on the category of land, using accepted income capitalization methods applied to the average net income derived from the use of the land for agriculture and hunting or recreational leases. Upon application of a landowner, land which qualifies as “timber land” is appraised based on the category of land, using accepted income capitalization methods applied to the average net income derived from the use of the land for production of timber. In either case, if the use of land changes, an additional tax is imposed on the land equal to the difference between the taxes imposed on the land for each of the five (5) years preceding the year in which the change of use occurs and the tax that would have been imposed had the land been taxed on the basis of market value in each of those years, plus interest at an annual rate of seven percent (7%) calculated from the dates on which the differences would have become due. There are also special appraisal methods for agricultural land owned by individuals whose primary occupation and income are farming and for recreational, park, and scenic land.

Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

District and Taxpayer Remedies

The chief appraiser must give written notice before the Appraisal Review Board meeting to each owner if a reappraisal has resulted in an increase in value over the prior year or the value rendered by the owner, or if property not previously included on the appraisal roll has been appraised. Any owner who has timely filed notice with the Appraisal Review Board may appeal the final determination by the Appraisal Review Board of the owner's protest by filing suit in Texas district court. Prior to such appeal, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater or the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. The District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisal of a certain category of property, the exclusion of property from the appraisal records, the grant in whole or in part of a partial exemption, or a determination that land qualifies for special-use appraisal (agricultural or timber classification, for example). The District may not, however, protest a valuation of individual property.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) to five (5) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2020 no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

Harris County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County, the District, and the City of Houston (if it were to annex the District), at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only if (i) an error or omission of a representative of the District, including the Appraisal District, caused the failure of the taxpayer to pay taxes, (ii) the delinquent taxes are paid on or before the one-hundred and eightieth (180th) day after the taxpayer received proper notice of such delinquency and the delinquent taxes relate to a property for which the appraisal roll lists one or more certain specified inaccuracies, or (iii) the taxpayer submits evidence sufficient to show that the tax payment was delivered before the delinquency, date to the United States Postal Service or other delivery service, but an act or omission of the postal or delivery service resulted in the tax payment being considered delinquent. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies 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 is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Low Tax Rate Districts: Low Tax Rate Districts that adopt a total tax rate that would impose more 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 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. For the 2020 tax year, the Board of Directors of the District has determined the District's status to be that of a Developed District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new 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 against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

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

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WATER AND SEWER OPERATIONS

General

The Bonds and the Remaining Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Although not pledged to the payment of the Bonds, net revenue from operations of the District's system, if any, are available for any legal purpose, including, upon Board action, the payment of debt service on the Bonds. It is anticipated that no significant revenues from water and sewer operations will be available for debt service on the Bonds in the foreseeable future.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's water and sewer system. Accounting principles customarily employed in the determination of net revenues for coverage of debt service have been observed and in all instances exclude depreciation. This summary has been prepared for inclusion herein based upon information obtained from the District's audited financial statements in the case of October 31, 2016 through 2019 and an unaudited summary for the period ending October 31, 2020, from the District's bookkeeper. Reference is made to these statements for further and complete information.

	Fiscal Year Ended October 31				
	2020 (a)	2019	2018	2017	2016
Revenues					
Property Taxes	$ 812,888	$ 795,306	$ 661,097	$ 593,372	$ 402,546
Water Service	362,862	318,299	313,642	323,968	314,703
Sewer Service	381,783	382,157	380,089	372,977	363,759
Surface Water Fees	168,052	157,718	155,543	155,569	138,463
Penalty and Other	15,717	44,523	46,460	47,343	44,779
Tap Connection and Inspection Fees	18,190	24,580	21,890	45,440	151,605
Investment Revenues	12,670	25,240	18,753	6,035	1,688
Other	5,947	-	-	-	-
Total Revenues	$ 1,778,109	$ 1,747,823	$ 1,597,474	$ 1,544,704	$ 1,417,543
Expenditures					
Purchased Services	$ 223,204	$ 203,018	$ 234,214	$ 234,201	$ 246,071
Professional Fees	228,635	247,028	231,462	220,324	217,160
Contracted Services	154,122	118,535	119,373	120,280	123,415
Utilities	73,942	67,673	78,150	82,310	53,246
Surface Water Fees	178,705	155,976	156,667	180,465	153,964
Security Service	72,270	69,165	68,495	67,206	67,151
Repairs, Maintenance & Other Operating Expenditures	255,467	298,220	434,566	253,231	323,684
Administrative Expenditures	109,695	110,020	111,372	110,357	102,738
Capital Outlay	16,621	10,350	106,835	51,628	81,205
Total Expenditures	$ 1,312,661	$ 1,279,985	$ 1,541,134	$ 1,320,002	$ 1,368,634
Revenues Over (Under) Expenditures	$ 465,448	$ 467,838	$ 56,340	$ 224,702	$ 48,909
Other Sources (Interfund Transfer)	$ -	$ -	$ -	$ 81,321	$ -
Fund Balance (Beginning of Year)	$ 1,698,184	$ 1,230,346	$ 1,174,006	$ 867,983	$ 819,074
Fund Balance (End of Year)	$ 2,163,632	$ 1,698,184	$ 1,230,346	$ 1,174,006	$ 867,983

(a) Unaudited. Provided by the District's bookkeeper.

INVESTMENT CONSIDERATIONS

General

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

Infectious Disease Outlook (COVID-19)

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

Extreme Weather Events; Hurricane Harvey

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

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. However, according to the District's Operator, the District's System did not sustain any material damage and there was no interruption of water and sewer service. According to the District's Operator, after investigation, it appeared that approximately 200 out of approximately 1,800 homes within the District experienced water incursions or other significant damage. In addition, to the knowledge of the District, no commercial improvements within the District experienced structural flooding or other damage as a result of Hurricane Harvey. See "THE SYSTEM."

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

Specific Flood Type Risks

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

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

Potential Effects of Oil Price Declines on the Houston Area

The recent declines in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's operations and maintenance expenses payable from ad valorem taxes.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of commercial property and multi-family developments. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for properties of this type and the construction thereon can be significantly affected by factors such as interest rates, credit availability (see "Credit Market and Liquidity in the Financial Markets" below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed. Further declines in the price of oil could adversely affect the demand for housing and the values of existing homes.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 25 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of the City and the nation could adversely affect development and homebuilding plans in the District and restrain or reduce the growth of the District's property tax base.

Competition

The demand for and construction of single-family homes in the District, which is approximately 25 miles from downtown Houston, could be affected by competition from other residential developments, including other residential developments located in the western portion of the Houston area market. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the builders in the sale of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

Impact on District Tax 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 ad valorem taxes. The 2020 Taxable Assessed Valuation of the District is $425,981,580. See “FINANCIAL STATEMENT.” After issuance of the Bonds, the maximum annual debt service requirement will be $1,652,973 (2022) and the average annual debt service requirement will be $1,508,837 (2021-2036). Assuming no increase or decrease from the 2020 Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of $0.41 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $1,652,973 and a tax rate of $0.38 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of $1,508,837. See “DEBT SERVICE REQUIREMENTS.” Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Remaining Outstanding Bonds based upon the 2020 Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event major taxpayers do not pay their District taxes timely. See “TAX PROCEDURES” and “TAX DATA—Tax Adequacy for Debt Service.”

Future Debt

Following issuance of the Bonds, the District will have $385,000 principal amount of unlimited tax and revenue bonds authorized but unissued for purposes of acquiring or constructing water, sanitary sewer, and drainage facilities, and $6,610,000 principal amount of unlimited tax bonds authorized but unissued bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and for refunding purposes. See “THE BONDS—Issuance of Additional Debt” and “THE SYSTEM.” The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District to acquire or construct water, sanitary sewer and drainage facilities must be approved by the TCEQ.

Environmental and Air Quality Regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tax Collection Limitations

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

Registered Owners Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the

Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

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

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

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

The District may not be placed into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

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

Marketability

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

Changes in Tax Legislation

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has entered into an agreement with Build America Mutual Assurance Company (“BAM” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

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

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

Neither the District nor the Underwriter has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings had incident to the authorization and issuance of the Bonds including a certified copy of the unqualified 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 binding obligations of the District under the Constitution and laws of the State of Texas. The District also will furnish the approving legal opinion of Young & Brooks, Bond Counsel, to the effect that based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, against all taxable property within the District. See "TAX MATTERS" below for a discussion of Bond Counsel's opinion regarding the tax-exempt status of the Bonds. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

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

Legal Review

In their capacity as Bond Counsel, Young & Brooks has reviewed the information in this Official Statement under the captioned sections "PLAN OF FINANCING—Payment of Refunded Bonds," "THE BONDS," "MANAGEMENT—Attorney," "THE DISTRICT—General," "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, insofar as it relates to matters of law, fairly summarizes the laws and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm'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 other information contained herein.

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

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 of the financial condition of the District subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amend through the date of sale.

No-Litigation Certificate

The District will furnish the Underwriter a certificate executed by both the President and Secretary of the Board, and dates as of the date of delivery o the Bonds, to the effect that no litigation of any nature is pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest on or the principal of the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers of the District.

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 Public Finance Partners LLC. 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.

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 RECENTLY ENACTED LEGISLATION OR 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.

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(a)(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 $10,000,000 limitation and the Bonds would not be “qualified tax-exempt obligations.”

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. Moody's Investors Service ("Moody's") has assigned an underlying credit rating of "A3" to the Bonds without regard to credit enhancement. An explanation of the rating may be obtained from Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. See "INVESTMENT CONSIDERATIONS—Municipal Bond Insurance Risk Factors," "MUNICIPAL BOND INSURANCE," and "APPENDIX B."

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") 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.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds 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 Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $505.3 million, $158.1 million and $347.2 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

BAM GreenStar Bonds

The Bonds have been designated BAM GreenStar Bonds because BAM has determined that the use of bond proceeds by the Issuer as described in this Official Statement and in any additional information obtained by BAM aligns with one of the Green Bond Principles ("GBPs") developed by the International Capital Markets Association ("ICMA"). The GBPs were developed by the ICMA with the goal of establishing universally accepted guidelines for the issuance of green bonds, and one of the key requirements addresses the use of proceeds. BAM has been identified by the ICMA as an observer organization that is active in the field of green and/or social or sustainability finance and as a Climate Bond Initiative approved verifier. The GreenStar Credit Profile prepared by BAM for the Bonds will identify which of the following GBP categories applies to the Bonds:

- renewable energy
- energy efficiency
- pollution prevention and control
- environmentally sustainable management of living natural resources and land use
- terrestrial and aquatic biodiversity
- clean transportation
- climate change adaptation
- sustainable water and wastewater management
- green buildings

Each of the GBPs correlates to one of the following UN Sustainable Development Goals which will also be included in the GreenStar Credit Profile for the Bonds:

- clean water and sanitation
- affordable and clean energy
- sustainable cities and communities
- industry innovation and infrastructure
- responsible consumption and production
- climate action
- life below water
- life on land

The Issuer makes no representation regarding the applicability of or suitability of the GreenStar designation. The term "GreenStar" is neither defined in, nor related to, the security documents relating to the Bonds. The GreenStar designation is solely for identification purposes and is not intended to provide or imply that the owners of the Bonds are entitled to any security other than that described in this official statement. The Issuer is under no contractual or other legal obligation to ensure compliance with any legal or other principles relating to "GreenStar" designation. The Issuer has made no commitment to provide ongoing reporting or information regarding the designation or compliance with the GBPs.

The BAM GreenStar designation is based upon an assessment by BAM at the time of the issuance of the Bonds and such designation by BAM reflects only the views of BAM. BAM does not charge a fee in connection with the designation, does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. The designation is provided on an "AS IS" basis and is based on BAM's own investigation, studies, assumptions, and criteria using its reasonable best efforts. In issuing its GreenStar designation, BAM has assumed and relied upon the accuracy and completeness of the information made publicly available by the Issuer or that was otherwise made available to BAM. BAM makes no representation or warranty, express or implied, including, but not limited to, the accuracy, results, timeliness, completeness, merchantability or fitness for any particular purpose with respect to the designation. A complete description of BAM GreenStar, and its limitations and terms of use, are available on BAM's website https://buildamerica.com/greenstar and https://buildamerica.com/terms-of-use and incorporated herein by reference. The BAM GreenStar designation is determined solely by BAM; it has not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for such designation.

BAM's GreenStar designation does not and is not intended to make any representation or give any assurance with respect to any other matter relating to the Bonds and is not a recommendation to any person to purchase, hold, or sell the Bonds. Such labeling does not address the market price, marketability or suitability of these Bonds for a particular investor. There is no assurance that the designation will be retained for any given period of time or that the designation will not be revised, suspended, or withdrawn by BAM if, in its judgment, circumstances so warrant.

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at http://www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the "Underwriter") pursuant to a bond purchase agreement with the District (the "Bond Purchase Agreement") at a price of $2,662,040.98 (representing the principal amount of the Bonds of $2,575,000.00, plus a premium on the Bonds of $113,552.55, less an Underwriter's discount of $26,511.57 plus accrued interest). The Underwriter's obligation is to purchase all of the Bonds, if any are purchased. See "PLAN OF FINANCING—Sources and Uses of Funds."

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

Prices and Marketability

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

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

Securities Laws

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

VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (i) the mathematical computations of the adequacy of the funds deposited with the Paying Agent for the Refunded Bonds, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds, (ii) 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.

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

> "THE SYSTEM" (as related to District facilities)—Engineer; "FINANCIAL STATEMENT" and "TAX DATA"—Harris County Appraisal District and Wheeler & Associates, Inc.; "ESTIMATED OVERLAPPING DEBT STATEMENT"—the Municipal Advisory Council of Texas.

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

Consultants

In approving this Official Statement, the District has relied upon the following consultants in addition to the Financial Advisor.

Engineer: Certain information related to the District's System and certain other information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" have been provided by Edminster, Hinshaw, Russ and Associates, Inc., the District's consulting engineer, and have been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

Tax Assessor Collector: The information contained in this Official Statement relating to the historical breakdown of the Certified Taxable Assessed Valuations, principal taxpayers and certain other historical data concerning tax rates and tax collections has been provided by Wheeler & Associates, Inc., and is included herein in reliance upon his authority as an expert in assessing and collecting taxes.

Auditor: The District's audited financial statements for the year ended October 31, 2019 and the independent auditor's report of Mark C. Eyring, CPA, PLLC, have been included herein as "APPENDIX A."

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "WATER AND SEWER OPERATIONS" has been provided by Myrtle Cruz Inc. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating of Official Statement

For the period beginning on the date of the award of the sale of the Bonds to the Underwriter and ending on the ninety-first (91st) day after the "end of the underwriting period," (as defined in SEC Rule 15c(2)-12(f)(2)), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement this Official Statement in order to make the statements herein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not materially misleading, the District will promptly notify the Underwriter of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, be materially misleading. The District assumes no responsibility for supplementing this Official Statement thereafter.

Certification of Official Statement

The District, acting through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the "FINANCIAL STATEMENT," "TAX DATA," "WATER AND SEWER OPERATIONS," and "DEBT SERVICE REQUIREMENTS" (most of which information is contained in the District's annual audit report) and in Appendix A (Audited Financial Statements). The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2020.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is October 31. Accordingly, it must provide updated information by April 30 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.”

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. Investors can access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12 with the exception of the following: When the District filed its Annual Financial Information and Operating Data for the fiscal year ending September 30, 2017, it failed to include one CUSIP from its Series 2008 bond issue. The annual filing for the missing CUSIP was made with the MSRB on July 5, 2018. Also, the District was not timely informed of a change to the District’s underlying rating on December 20, 2018 from “BBB” to “BBB+”, and accordingly the District did not file notice of the resulting rating change to its Series 2011 Bonds within ten business days after the rating change occurred. The Event Notice for the rating change was filed with the MSRB on February 15, 2019.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 65, as of the date shown on the cover page.

/s/ Richard Marshall
President, Board of Directors

ATTEST:

/s/ Brenda Lassen
Secretary, Board of Directors

APPENDIX A

District Audited Financial Statements for the fiscal year ended October 31, 2019

HARRIS COUNTY

MUNICIPAL UTILITY DISTRICT NO. 65

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

OCTOBER 31, 2019

C O N T E N T S

Mark C. Eyring, CPA, PLLC

12702 Century Drive • Suite C2 • Stafford, Texas 77477 • 281-277-9595 • Mark@EyringCPA.com

February 11, 2020

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 65
Harris County, Texas

I have audited the accompanying financial statements of the governmental activities and each fund of Harris County Municipal Utility District No. 65, as of and for the year ended October 31, 2019, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risk of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Harris County Municipal Utility District No. 65 as of October 31, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 8 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 23 be presented to supplement the basic financial statements. Such information, although not 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 24 to 46 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Harris County Municipal Utility District No. 65 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended October 31, 2019.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. Other activities, such as security service, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets and liabilities owned by the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as *change in net position*, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water and sewer systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's' activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds, and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	2019	2018	Change
Current and other assets	$ 6,598,957	$ 6,766,244	$ (167,287)
Capital assets	11,979,133	12,086,011	(106,878)
Total assets	18,578,090	18,852,255	(274,165)
Long-term liabilities	19,129,007	19,935,423	(806,416)
Other liabilities	1,353,070	1,549,099	(196,029)
Total liabilities	20,482,077	21,484,522	(1,002,445)
Total deferred inflows of resources	2,339,074	2,332,499	6,575
Net position:			
Invested in capital assets, net of related debt	(8,188,709)	(8,917,405)	728,696
Restricted	2,232,610	2,706,774	(474,164)
Unrestricted	1,713,038	1,245,865	467,173
Total net position	$ (4,243,061)	$ (4,964,766)	$ 721,705

Summary of Changes in Net Position

	2019	2018	Change
Revenues:			
Property taxes, including related penalty and interest	$ 2,569,956	$ 2,627,120	$ (57,164)
Charges for services	927,277	917,624	9,653
Other revenues	73,647	54,199	19,448
Total revenues	3,570,880	3,598,943	(28,063)
Expenses:			
Service operations	1,902,372	2,405,275	(502,903)
Debt service	946,803	981,173	(34,370)
Total expenses	2,849,175	3,386,448	(537,273)
Change in net position	721,705	212,495	509,210
Net position, beginning of year	(4,964,766)	(5,177,261)	212,495
Net position, end of year	$ (4,243,061)	$ (4,964,766)	$ 721,705

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended October 31, 2019 were $3,954,994, a decrease of $26,104 from the prior year.

The General Fund balance increased by $467,838, in accordance with the District's financial plan.

The Debt Service Fund balance decreased by $98,934, in accordance with the District's financial plan.

The Capital Projects Fund balance decreased by $395,008, as authorized expenditures exceeded interest earnings.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 23 of this report. The budgetary fund balance as of October 31, 2019, was expected to be $1,254,946 and the actual end of year fund balance was $1,698,184.

Capital Asset and Debt Administration

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows:

	Capital Assets (Net of Accumulated Depreciation)		
	2019	2018	Change
Land	$ 118,330	$ 118,330	$ 0
Detention ponds	625,245	625,245	0
Construction in progress	186,821	145,668	41,153
Water facilities	3,710,309	3,752,346	(42,037)
Sewer facilities	7,338,428	7,444,422	(105,994)
Totals	$ 11,979,133	$ 12,086,011	$ (106,878)

Changes to capital assets during the fiscal year ended October 31, 2019, are summarized as follows:

Additions:	
Utility relocation	$ 41,153
Sewer system improvements	157,611
Water plant recoating	157,678
Total additions to capital assets	356,442
Decreases:	
Depreciation	(463,320)
Net change to capital assets	$ (106,878)

Debt

Changes in the bonded debt position of the District during the fiscal year ended October 31, 2019, are summarized as follows:

Bonded debt payable, beginning of year	$ 21,370,000
Bonds sold	5,270,000
Bonds refunded	(4,955,000)
Bonds paid	(1,110,000)
Bonded debt payable, end of year	$ 20,575,000

At October 31, 2019, the District had $7,430,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

On March 26, 2019, the District issued $5,270,000 in unlimited tax refunding bonds to refund $4,955,000 of outstanding Series 2011 bonds. The net proceeds of $4,972,774 (after payment of $226,609 in underwriting fees, insurance and other issuance costs) were used to call and retire the refunded bonds on March 27, 2019. As a result, the refunded bonds are considered defeased and the liability for these bonds will be removed from the financial statements.

The District refunded the bonds to reduce total debt service payments over future years by approximately $860,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $645,000.

The District's bonds have an underlying rating of BBB and A3 by Standard & Poor's and Moody's, respectively. The Series 2012, 2013 and 2015A bonds are insured by Assured Guaranty Municipal Corp., the Series 2008 bonds are insured by Assured Guaranty Corp. The Series 2015, 2018 and 2019 bonds are insured by Build America Mutual Assurance Company. The Series 2014 bonds are not insured. The insured rating of the Series 2008, 2012, 2013, 2015, 2015A, 2018 and 2019 bonds is AA and A3 by Standard & Poor's and Moody's, respectively. The insured rating of the Series 2015A bonds is AA+ by Kroll Bond Rating Agency. There was no change in the bond ratings during the fiscal year ended October 31, 2019.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

As of October 31, 2019, The District's tax base was $377,271,343 for the 2019 tax year. However, approximately $33,192,943 additional valuation remained uncertified at that date.

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

The District is authorized to enter into a strategic partnership agreement with the City of Houston 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 would be annexed for limited purposes by the City. The terms of any such agreement would be determined by the City and the District.

The District is not aware of any plans regarding annexation or a strategic partnership with the City of Houston.

Water Supply Issues

The Harris-Galveston Coastal Subsidence District (the "Subsidence District") was created by the Texas Legislature to reduce subsidence by regulating the withdrawal of groundwater within Harris and Galveston Counties. In 1999, the Subsidence District adopted its District Regulatory Plan ("Regulatory Plan") to control groundwater withdrawals. The Regulatory Plan divides the Subsidence District's jurisdiction into regulatory areas. The Subsidence District's Regulatory Area 3 ("Area 3") generally encompasses northwest and western Harris County, including the District. Pursuant to the Regulatory Plan, specific major water users, including those in Area 3, must reduce groundwater withdrawals to no more than 70% by January 2010, to no more than 40% by January 2025 and to no more than 20% by January 2035. Additionally, each such water user, including the District, is required to have either a certified Groundwater Reduction Plan ("GRP") on file with the Subsidence District or to be part of a regional GRP; otherwise, the District risks being assessed a substantial disincentive penalty per 1,000 gallons of water pumped. The District has opted to become part of the City of Houston (the “City”) GRP pursuant to a contract entered into between the District and the City. As a participant in the City's GRP, the District has complied with all Subsidence District requirements in regard to the conversion to surface water, but is obligated to pay to the City a groundwater withdrawal fee for all groundwater produced and used by the District and a water purchase fee for any water actually purchased from the City by the District in the future. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future in order to develop surface water conversion infrastructure should the City require the District to convert to surface water and connect to the City's water supply system or should the District determine that it would be in the District’s best interest to supplement or replace its groundwater supply with surface water.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

OCTOBER 31, 2019

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	$ 847,625	$ 277,963	$ 5,418	$ 1,131,006	$	$ 1,131,006
Certificates of deposit, at cost, Note 7		720,000		720,000		720,000
Temporary investments, at cost, Note 7	950,725	119,554	1,145,038	2,215,317		2,215,317
Receivables:						
Property taxes	765,385	1,624,628		2,390,013		2,390,013
Accrued penalty and interest on property taxes				0	34,953	34,953
Service accounts	77,497			77,497		77,497
Accrued interest		3,054		3,054		3,054
Other			6,356	6,356		6,356
Prepaid expenditures	5,764			5,764		5,764
Due from other fund		450		450	(450)	0
Maintenance taxes collected not yet transferred from other fund	4,028			4,028	(4,028)	0
Operating reserve at joint venture, Note 9	10,000			10,000		10,000
Groundwater bank certificates, at cost, Note 11	4,997			4,997		4,997
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	930,396	930,396
Depreciable capital assets				0	11,048,737	11,048,737
Total assets	$2,666,021	$2,745,649	$1,156,812	$ 6,568,482	12,009,608	18,578,090
LIABILITIES						
Accounts payable	$ 85,388	$ 2,009	$ 2,782	$ 90,179		90,179
Construction contracts payable			3,785	3,785		3,785
Accrued interest payable				0	107,666	107,666
Customer deposits	112,605			112,605		112,605
Due to other fund	450			450	(450)	0
Maintenance taxes collected not yet transferred to other fund		4,028		4,028	(4,028)	0
Long-term liabilities, Note 5:						
Due within one year				0	1,038,835	1,038,835
Due in more than one year				0	19,129,007	19,129,007
Total liabilities	198,443	6,037	6,567	211,047	20,271,030	20,482,077
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	769,394	1,633,047	0	2,402,441	(63,367)	2,339,074
FUND BALANCES / NET POSITION						
Fund balances:						
Nonspendable:						
Operating reserve at joint venture, Note 9	10,000			10,000	(10,000)	0
Reserved for groundwater bank certificates, Note 11	4,997			4,997	(4,997)	0
Assigned to:						
Debt service		1,106,565		1,106,565	(1,106,565)	0
Capital projects			1,150,245	1,150,245	(1,150,245)	0
Unassigned	1,683,187			1,683,187	(1,683,187)	0
Total fund balances	1,698,184	1,106,565	1,150,245	3,954,994	(3,954,994)	0
Total liabilities, deferred inflows, and fund balances	$2,666,021	$2,745,649	$1,156,812	$ 6,568,482		
Net position:						
Invested in capital assets, net of related debt, Note 4					(8,188,709)	(8,188,709)
Restricted for debt service					1,082,365	1,082,365
Restricted for capital projects					1,150,245	1,150,245
Unrestricted					1,713,038	1,713,038
Total net position					$ (4,243,061)	$ (4,243,061)

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED OCTOBER 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	$ 795,306	$ 1,751,965	$	$ 2,547,271	$ (4,290)	$ 2,542,981
Water service	318,299			318,299		318,299
Sewer service	382,157			382,157		382,157
Surface water fees, Note 10	157,718			157,718		157,718
Penalty, interest and other	44,523	21,883		66,406	5,092	71,498
Tap connection and inspection fees	24,580			24,580		24,580
Accrued interest on bonds received at date of sale		11,333		11,333	(11,333)	0
Interest on deposits and investments	25,240	19,831	28,576	73,647		73,647
Total revenues	1,747,823	1,805,012	28,576	3,581,411	(10,531)	3,570,880
EXPENDITURES / EXPENSES						
Service operations:						
Purchased sewer services, Note 9	203,018			203,018		203,018
Professional fees	247,028	26,351	4,313	277,692		277,692
Contracted services	118,535	51,068		169,603		169,603
Utilities	67,673			67,673		67,673
Surface water pumpage fees, Note 10	155,976			155,976		155,976
Repairs, maintenance and other operating expenditures	298,220		37,850	336,070		336,070
Security service	69,165			69,165		69,165
Administrative expenditures	110,020	14,506		124,526		124,526
Depreciation				0	463,320	463,320
Capital outlay / non-capital outlay	10,350		381,421	391,771	(356,442)	35,329
Debt service:						
Principal retirement		1,110,000		1,110,000	(1,110,000)	0
Bond issuance expenditures				0	226,609	226,609
Interest and fees		704,929		704,929	15,265	720,194
Total expenditures / expenses	1,279,985	1,906,854	423,584	3,610,423	(761,248)	2,849,175
Excess (deficiency) of revenues over expenditures	467,838	(101,842)	(395,008)	(29,012)	750,717	721,705
OTHER FINANCING SOURCES (USES)						
Bonds issued, Note 5		5,270,000		5,270,000	(5,270,000)	0
Bond issuance discounts, Note 5		(67,709)		(67,709)	67,709	0
Refunding bond issuance expenditures, Note 5		(226,609)		(226,609)	226,609	0
Payment to refunding escrow agent, Note 5		(4,972,774)		(4,972,774)	4,972,774	0
Total other financing sources (uses)	0	2,908	0	2,908	(2,908)	0
Net change in fund balances / net position	467,838	(98,934)	(395,008)	(26,104)	747,809	721,705
Beginning of year	1,230,346	1,205,499	1,545,253	3,981,098	(8,945,864)	(4,964,766)
End of year	$ 1,698,184	$ 1,106,565	$ 1,150,245	$ 3,954,994	$ (8,198,055)	$ (4,243,061)

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2019

NOTE 1: REPORTING ENTITY

Harris County Municipal Utility District No. 65 (the "District") was created by an order of the Texas Water Rights Commission (now the Texas Commission on Environmental Quality) effective December 21, 1976, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on December 22, 1976, and the first bonds were sold on June 26, 1981. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

The District is a participant in the Williamsburg Regional Sewage Treatment Plant operated by the Williamsburg Regional Sewage Authority (the "Authority"). Oversight of the Authority is exercised by the Board of Delegates of the Authority which is comprised of representatives from the participants. Based on the criteria described above, the Authority's financial activity has not been included in the District's financial statements. Transactions with and summary financial information of this joint venture are described in Note 9.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures of the fund from which they are paid.

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		$ 3,954,994
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Total capital assets, net		11,979,133
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	$ (20,575,000)	
Deferred charge on refunding (to be amortized as interest expense)	234,573	
Issuance discount, net of premium (to be amortized as interest expense)	172,585	(20,167,842)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	34,953	
Uncollected property taxes	63,367	98,320
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		(107,666)
Net position, end of year		$ (4,243,061)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		$ (26,104)
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	$ 356,442	
Depreciation	(463,320)	(106,878)
The issuance of long-term debt provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Bonds issued	(5,270,000)	
Payment to escrow agent for refunding	4,972,774	
Principal reduction	1,110,000	812,774
The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Refunding charges	(28,590)	
Issuance discount, net of premium	51,390	22,800
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Accrued penalty and interest on property taxes receivable	5,092	
Uncollected property taxes	(4,290)	802
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:		
Accrued interest		18,311
Change in net position		$ 721,705

NOTE 4: CAPITAL ASSETS

At October 31, 2019, “Invested in capital assets, net of related debt” was $(8,188,709). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of $5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended October 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 118,330	$	$	$ 118,330
Detention ponds	625,245			625,245
Construction in progress	145,668	41,153		186,821
Total capital assets not being depreciated	889,243	41,153	0	930,396
Depreciable capital assets:				
Water system	5,938,680	157,678		6,096,358
Sewer system	10,002,913	157,611		10,160,524
Total depreciable capital assets	15,941,593	315,289	0	16,256,882
Less accumulated depreciation for:				
Water system	(2,186,334)	(199,715)		(2,386,049)
Sewer system	(2,558,491)	(263,605)		(2,822,096)
Total accumulated depreciation	(4,744,825)	(463,320)	0	(5,208,145)
Total depreciable capital assets, net	11,196,768	(148,031)	0	11,048,737
Total capital assets, net	$ 12,086,011	$ (106,878)	$ 0	$ 11,979,133
Changes to capital assets:				
Capital outlay		$ 356,442	$	
Less depreciation expense for the fiscal year		(463,320)		
Net increases / decreases to capital assets		$ (106,878)	$ 0	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended October 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable	$ 21,370,000	$ 5,270,000	$ 6,065,000	$ 20,575,000	$ 1,080,000
Deferred amounts for issuance discount net of premium	(176,570)	(67,709)	(71,694)	(172,585)	(10,738)
Deferred amounts for refunding	(190,014)	(73,149)	(28,590)	(234,573)	(30,427)
Total bonds payable	21,003,416	5,129,142	5,964,716	20,167,842	1,038,835
Total long-term liabilities	$ 21,003,416	$ 5,129,142	$ 5,964,716	$ 20,167,842	$ 1,038,835

Bonds payable, beginning of year		$ 21,370,000
Bonds paid		(1,110,000)
Bonds sold:		
Proceeds	$ 5,202,291	
Discount	67,709	5,270,000
Bonds refunded		(4,955,000)
Bonds payable, end of year		$ 20,575,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At October 31, 2019, there were no developer construction commitments or liabilities.

As of October 31, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	$ 1,080,000	$ 631,728	$ 1,711,728
2021	1,095,000	603,409	1,698,409
2022	1,115,000	570,216	1,685,216
2023	1,130,000	532,926	1,662,926
2024	1,160,000	499,408	1,659,408
2025 - 2029	6,145,000	1,968,791	8,113,791
2030 - 2034	6,720,000	950,835	7,670,835
2035 - 2036	2,130,000	70,176	2,200,176
	$ 20,575,000	$ 5,827,489	$ 26,402,489

Bonds voted	$ 37,700,000
Bonds approved for sale and sold	30,270,000
Bonds voted and not issued	7,430,000

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

The bond issues payable at October 31, 2019, were as follows:

	Series 2008	Refunding Series 2012	Series 2013
Amounts outstanding, October 31, 2019	$75,000	$1,200,000	$2,000,000
Interest rates	6.00%	2.25% to 4.00%	4.125% to 4.75%
Maturity dates, serially beginning/ending	March 1, 2020	March 1, 2020/2023	March 1, 2021/2036
Interest payment dates	March 1/October 1	March 1/October 1	March 1/October 1
Callable dates	March 1, 2016*	March 1, 2020	March 1, 2021*

*Or any date thereafter, callable at par plus accrued interest in whole or in part at the option of the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Refunding Series 2014	Refunding Series 2015	Series 2015A
Amounts outstanding, October 31, 2019	$1,995,000	$3,660,000	$4,250,000
Interest rates	2.877%	2.25% to 3.25%	2.00% to 4.00%
Maturity dates, serially beginning/ending	March 1, 2020/2027	March 1, 2020/2031	March 1, 2020/2036
Interest payment dates	March 1/October 1	March 1/October 1	March 1/October 1
Callable dates	March 1, 2023*	March 1, 2023*	March 1, 2023*

	Series 2018	Refunding Series 2019**
Amounts outstanding, October 31, 2019	$2,125,000	$5,270,000
Interest rates	2.00% to 3.125%	3.00% to 4.00%
Maturity dates, serially beginning/ending	March 1, 2020/2036	March 1, 2026/2035
Interest payment dates	March 1/October 1	March 1/October 1
Callable dates	March 1, 2024*	March 1, 2024*

*Or any date thereafter, callable at par plus accrued interest in whole or in part at the option of the District.

**On March 26, 2019, the District issued $5,270,000 in unlimited tax refunding bonds to refund $4,955,000 of outstanding Series 2011 bonds. The net proceeds of $4,972,774 (after payment of $226,609 in underwriting fees, insurance and other issuance costs) were used to call and retire the refunded bonds on March 27, 2019. As a result, the refunded bonds are considered defeased and the liability for these bonds will be removed from the financial statements.

The District refunded the bonds to reduce total debt service payments over future years by approximately $860,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $645,000.

NOTE 6: PROPERTY TAXES

The Harris County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At an election held January 15, 1977, the voters within the District authorized a maintenance tax not to exceed $0.20 per $100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 8, 2019, the District levied the following ad valorem taxes for the 2019 tax year and the 2020 fiscal year on the adjusted taxable valuation of $377,271,343:

	Rate	Amount
Debt service	$ 0.4200	$ 1,584,534
Maintenance	0.2000	754,540
	$ 0.6200	$ 2,339,074

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2019 tax year total property tax levy	$ 2,339,074
2019 tax year total property tax levy deferred to 2020 fiscal year	(2,339,074)
2018 tax year total property tax levy deferred to 2019 fiscal year	2,332,499
Appraisal district adjustments to prior year taxes	210,482
Statement of Activities property tax revenues	$ 2,542,981

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and in TexPool, a local government investment pool sponsored by the State Comptroller. TexPool is rated AAAm by Standard & Poor’s.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was $1,851,006 and the bank balance was $1,918,324. Of the bank balance, $1,155,180 was covered by federal insurance and $763,144 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Atlanta.

At the balance sheet date the carrying value and market value of the investments in TexPool was $2,215,317.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deposits and temporary investments restricted by state statutes and the Bond Orders:

Debt Service Fund

For payment of debt principal and interest, paying agent fees and costs of assessing and collecting taxes:

Cash	$ 277,963
Certificates of deposit	720,000
Temporary investments	119,554
	$ 1,117,517

Capital Projects Fund

For construction of capital assets:

Cash	$ 5,418
Temporary investments	1,145,038
	$ 1,150,456

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At October 31, 2019, the District had physical damage and boiler and machinery coverage of $4,800,000, comprehensive general liability coverage with a per occurrence limit of $1,000,000 and $3,000,000 general aggregate, consultant’s crime coverage of $10,000 and a tax assessor-collector bond of $10,000.

NOTE 9: JOINT VENTURES WITH OTHER GOVERNMENTAL UNITS

Water and Sanitary Sewer Line Contract

On March 29, 2005 (amended and restated March 8, 2006 and amended March 24, 2008), the District and Harris County Municipal Utility District No. 64 ("No. 64") entered into an Agreement for Sharing of Existing Water Lines, Existing Lift Station Facilities and Existing Force Main. The term of the contract is fifty years. Under the terms of the agreement, the District purchased capacity in No. 64's lines and lift stations. No. 64 is the operator of the lines and lift stations and will bill the District based upon the number of Equivalent Connections in each district. The District incurred costs of $19,846 under this contract for the fiscal year ended October 31, 2019.

Regional Sewage Treatment Plant

The District is a participant with several other districts and developers in the Williamsburg Regional Sewage Treatment Plant (the "Plant"). Oversight of the Plant is exercised by the Williamsburg Regional Sewage Authority (the "Authority"). The Authority is governed by a Board of Delegates whose members are appointed by the boards of directors of the participating districts. Each participating district appoints one delegate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The Authority was formed by agreements between Harris County Municipal Utility District No. 61 and West Harris County Municipal Utility District No. 2 on September 29, 1976, as amended November 1, 1980, to include Harris County Municipal Utility District Nos. 62, 63, 64, 65, and West Harris County Municipal Utility District No. 5. The governing contract has been amended on August 15, 2001, March 17, 2004, June 17, 2009, December 16, 2009, June 16, 2010 and June 20, 2012. On February 20, 2019, the participants adopted a resolution which acknowledged the ownership of each participant's capacity in the Williamsburg Regional Sewage Treatment Plant (the "Plant") as follows: Harris County Municipal Utility District No. 61 -- 14.38%; Harris County Municipal Utility District No. 62 -- 15.82%; Harris County Municipal Utility District No. 63 -- 8.60%; Harris County Municipal Utility District No. 64 -- 16.10%; Harris County Municipal Utility District No. 65 -- 16.91%; West Harris County Municipal Utility District No. 2 -- 15.31%; West Harris County Municipal Utility District No. 5 -- 9.45%; Westside Ventures, Ltd. -- 3.43%. Construction costs of the Plant are funded by the contribution of funds from each participating district. The Authority issues no debt. Each participant's share of the capital assets is reported in the financial statements of each participant.

Each participant is responsible only for its share of the operating costs of the Authority which are allocated and billed monthly based upon each participant's equivalent sewer connections serviced by the Authority. During the year ended October 31, 2019, the District's share of the Authority's general expenditures was $203,018. The District's share of the Authority's operating reserve was $10,000 at October 31, 2019.

The following summary financial data of the Authority's General Fund is presented for the Authority's fiscal year ended October 31, 2019:

	Authority Total	District's Share
Total assets	$ 137,885	
Total liabilities	(67,885)	
Total fund balance	70,000	$ 10,000
Operating reserve	(70,000)	(10,000)
Undesignated fund balance	$ 0	$ 0
Total revenues	$ 772,426	$ 203,018
Total expenditures	(772,426)	(203,018)
Excess revenues (expenditures)	0	0
Fund balance, beginning of year	70,000	10,000
Fund balance, end of year	$ 70,000	$ 10,000

NOTE 10: SURFACE WATER FEES

On May 27, 2009, the District entered into a Water Supply and Groundwater Reduction Plan Wholesale Agreement (the "Agreement") with the City of Houston (the "City") in order to meet regulatory compliance requirements of the Harris Galveston Coastal Subsidence District (the "Subsidence District"). The Agreement continues until noon on December 31, 2040. Under the terms of the Agreement, the City of Houston is the manager of the Groundwater Reduction Plan (the "GRP") that includes the District as a participant. In order to achieve overall compliance with the Subsidence District regulation for reduction of groundwater use in Regulatory Area 3, treated surface water will be supplied by the City to some of the participants in the GRP area in sufficient quantities to meet the requirements. Under the terms of the Agreement, the District pays to the City a monthly pumpage charge based on the District's water pumpage. The surface water pumpage fees payable by the District to the City for the fiscal year ended October 31, 2019, were $155,976. The District billed its customers $157,718 for surface water fees during the fiscal year ended October 31, 2019.

NOTE 11: GROUNDWATER BANK CERTIFICATES

The District has purchased Groundwater Bank certificates directly from the issuer, the Harris-Galveston Subsidence District (the "HGSD"). These certificates expire in 40 years (certificates issued after August 1, 2001 expire in 20 years) and allow the bearer to pump the quantity of water specified on the certificate from wells instead of using surface water as mandated by the District. Certificates can also be used in lieu of a disincentive fee assessed by the HGSD for ground water pumpage in excess of the District's permit as amended. At October 31, 2019, the District had in its possession certificates totaling 11,625.6 thousand gallons of water (4,569.6 40-year certificates and 7,056 20-year certificates). The District values the certificates at cost which resulted in a total cost basis for the certificates on hand of $4,997 at October 31, 2019.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED OCTOBER 31, 2019

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Property taxes	$ 750,000	$ 750,000	$ 795,306	$ 45,306
Water service	350,000	350,000	318,299	(31,701)
Sewer service	370,000	370,000	382,157	12,157
Surface water fees	165,000	165,000	157,718	(7,282)
Penalty and other	27,000	27,000	44,523	17,523
Tap connection and inspection fees	0	0	24,580	24,580
Interest on deposits and investments	15,000	15,000	25,240	10,240
TOTAL REVENUES	1,677,000	1,677,000	1,747,823	70,823
EXPENDITURES				
Service operations:				
Purchased sewer services	240,000	240,000	203,018	(36,982)
Professional fees	271,000	271,000	247,028	(23,972)
Contracted services	123,000	123,000	118,535	(4,465)
Utilities	80,000	80,000	67,673	(12,327)
Surface water pumpage fees	185,000	185,000	155,976	(29,024)
Repairs, maintenance and other operating expenditures	436,000	436,000	298,220	(137,780)
Security service	70,000	70,000	69,165	(835)
Administrative expenditures	117,400	117,400	110,020	(7,380)
Capital outlay	130,000	130,000	10,350	(119,650)
TOTAL EXPENDITURES	1,652,400	1,652,400	1,279,985	(372,415)
EXCESS REVENUES (EXPENDITURES)	24,600	24,600	467,838	443,238
FUND BALANCE, BEGINNING OF YEAR	1,230,346	1,230,346	1,230,346	0
FUND BALANCE, END OF YEAR	$ 1,254,946	$ 1,254,946	$ 1,698,184	$ 443,238

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

OCTOBER 31, 2019

(Schedules included are checked or explanatory notes provided for omitted schedules.)

[X] TSI-1. Services and Rates

[X] TSI-2. General Fund Expenditures

[X] TSI-3. Temporary Investments

[X] TSI-4. Taxes Levied and Receivable

[X] TSI-5. Long-Term Debt Service Requirements by Years

[X] TSI-6. Changes in Long-Term Bonded Debt

[X] TSI-7. Comparative Schedule of Revenues and Expenditures - General Fund and Debt Service Fund - Five Year

[X] TSI-8. Board Members, Key Personnel and Consultants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

SCHEDULE OF SERVICES AND RATES

OCTOBER 31, 2019

1. Services Provided by the District during the Fiscal Year:

X Retail Water	__ Wholesale Water	__ Drainage
X Retail Wastewater	__ Wholesale Wastewater	__ Irrigation
__ Parks/Recreation	__ Fire Protection	X Security
__ Solid Waste/Garbage	__ Flood Control	__ Roads

X Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
__ Other

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	$10.00	5,000	N	$1.00	5,001 to 10,000
				1.50	10,001 to 20,000
				2.00	Over 20,000
WASTEWATER:	$16.00	10,000	N	$1.00	Over 10,000

SURCHARGE: $0.9923 City of Houston groundwater pumpage fee.

District employs winter averaging for wastewater usage: Yes __ No X

Total charges per 10,000 gallons usage: Water: $15.00 Wastewater: $16.00 Surcharge: $9.92

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

SCHEDULE OF SERVICES AND RATES (Continued)

OCTOBER 31, 2019

b. Water and Wastewater Retail Connections (unaudited):

Meter Size	Total Connections	Active Connections	ESFC* Factor	Active ESFCs
Unmetered	0	0	1.0	0
< or = 3/4"	1,879	1,858	1.0	1,858
1"	9	8	2.5	20
1-1/2"	5	5	5.0	25
2"	11	9	8.0	72
3"	0	0	15.0	0
4"	0	0	25.0	0
6"	0	0	50.0	0
8"	1	1	80.0	80
10"	0	0	115.0	0
Total Water	1,905	1,881		2,055
Total Wastewater	1,878	1,856	1.0	1,856

*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited):	161,751
Gallons billed to customers (unaudited):	160,676
Water Accountability Ratio (Gallons billed/ gallons pumped):	99%

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes __ No _X_

If yes, date of the most recent Commission Order: ____________________

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

If yes, date of the most recent Commission Order: ____________________

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

EXPENDITURES

FOR THE YEAR ENDED OCTOBER 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CURRENT				
Purchased sewer services	$ 203,018	$ 0	$ 0	$ 203,018
Professional fees:				
Auditing	10,950			10,950
Legal	216,953	26,351	4,313	247,617
Engineering	19,125			19,125
	247,028	26,351	4,313	277,692
Contracted services:				
Bookkeeping	17,566			17,566
Operation and billing	100,969			100,969
Tax assessor-collector		32,229		32,229
Central appraisal district		18,839		18,839
	118,535	51,068	0	169,603
Utilities	67,673	0	0	67,673
Surface water pumpage fees	155,976	0	0	155,976
Repairs, maintenance and other operating expenditures:				
Repairs and maintenance	243,297		37,850	281,147
Sludge hauling	6,982			6,982
Chemicals	11,818			11,818
Laboratory costs	7,938			7,938
Sewer inspection costs	4,930			4,930
Shared lift station expenditures	19,846			19,846
TCEQ assessment	3,409			3,409
	298,220	0	37,850	336,070
Security service	69,165	0	0	69,165
Administrative expenditures:				
Directors' fees	10,050			10,050
Office supplies and postage	72,496			72,496
Insurance	17,388	50		17,438
Permit fees	3,271			3,271
Other	6,815	14,456		21,271
	110,020	14,506	0	124,526

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

EXPENDITURES (Continued)

FOR THE YEAR ENDED OCTOBER 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CAPITAL OUTLAY				
Authorized expenditures	$	$	$ 381,421	$ 381,421
Tap connection costs	10,350			10,350
	10,350	0	381,421	391,771
DEBT SERVICE				
Principal retirement	0	1,110,000	0	1,110,000
Interest and fees:				
Interest		700,929		700,929
Paying agent fees		4,000		4,000
	0	704,929	0	704,929
TOTAL EXPENDITURES	$ 1,279,985	$ 1,906,854	$ 423,584	$ 3,610,423

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS, ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED OCTOBER 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	$ 938,477	$ 1,787,475	$ 28,576	$ 2,754,528
Maintenance tax receipts		787,326		787,326
Transfer of maintenance taxes	795,695			795,695
Sale of bonds		5,202,291		5,202,291
Increase in customer deposits	4,390			4,390
Reimbursement to other fund	43,378			43,378
Overpayments from taxpayers		10,854		10,854
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	1,781,940	7,787,946	28,576	9,598,462
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	1,204,874	94,319	42,163	1,341,356
Capital outlay	110,020		500,752	610,772
Debt service		1,814,929		1,814,929
Other fund		450		450
Transfer of maintenance taxes		795,695		795,695
Reimbursement to other fund			43,378	43,378
Payment to refunding escrow agent		4,972,774		4,972,774
Refunding bond issuance expenditures		226,609		226,609
Refund of taxpayer overpayments		10,860		10,860
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	1,314,894	7,915,636	586,293	9,816,823
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	467,046	(127,690)	(557,717)	(218,361)
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	1,331,304	1,245,207	1,708,173	4,284,684
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	$ 1,798,350	$ 1,117,517	$ 1,150,456	$ 4,066,323

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

OCTOBER 31, 2019

	Interest Rate	Maturity Date	Year End Balance	Accrued Interest Receivable
GENERAL FUND				
TexPool				
No. 2574400002	Market	On demand	$ 950,725	$ 0
DEBT SERVICE FUND				
Certificates of Deposit				
No. 66000939	2.10%	8/22/20	$ 240,000	$ 967
No. 6000017837	2.10%	8/15/20	240,000	1,063
No. 3300041725	2.05%	2/14/20	240,000	1,024
			$ 720,000	$ 3,054
TexPool				
No. No. 2574400001	Market	On demand	$ 119,554	$ 0
CAPITAL PROJECTS FUND				
TexPool				
No. 2574400003	Market	On demand	$ 1,145,038	$ 0
Total – All Funds			$ 2,935,317	$ 3,054

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED OCTOBER 31, 2019

	Maintenance Taxes	Debt Service Taxes
RECEIVABLE, BEGINNING OF YEAR	$ 732,436	$ 1,629,355
Additions and corrections to prior year taxes	65,735	144,747
Adjusted receivable, beginning of year	798,171	1,774,102
2019 ADJUSTED TAX ROLL	754,540	1,584,534
Total to be accounted for	1,552,711	3,358,636
Tax collections: Current tax year	(4,009)	(8,419)
Prior tax years	(783,317)	(1,725,589)
RECEIVABLE, END OF YEAR	$ 765,385	$ 1,624,628
RECEIVABLE, BY YEARS		
2009 and prior	$ 4,090	$ 12,802
2010	1,047	2,978
2011	912	3,173
2012	883	3,430
2013	928	3,572
2014	1,000	4,814
2015	816	3,754
2016	1,693	5,173
2017	1,550	4,559
2018	1,935	4,258
2019	750,531	1,576,115
RECEIVABLE, END OF YEAR	$ 765,385	$ 1,624,628

Fiscal year 2019 General Fund property tax revenue of $795,306 under the modified accrual basis of accounting is comprised of prior tax year collections of $783,317 during fiscal year 2019 and 2018 tax year collections of $11,989 during fiscal year 2018.

Fiscal year 2019 Debt Service Fund property tax revenue of $1,751,965 under the modified accrual basis of accounting is comprised of prior tax year collections of $1,725,589 during fiscal year 2019 and 2018 tax year collections of $26,376 during fiscal year 2018.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED OCTOBER 31, 2019

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	2019***	2018	2017	2016
Land	$ 78,327,152	$ 73,929,805	$ 74,109,926	$ 64,590,391
Improvements	303,755,583	327,475,566	317,238,137	271,337,010
Personal property	2,691,479	3,663,156	3,950,283	3,959,006
Less exemptions	(7,502,871)	(7,834,220)	(7,379,852)	(6,571,407)
TOTAL PROPERTY VALUATIONS	$ 377,271,343	$ 397,234,307	$ 387,918,494	$ 333,315,000
TAX RATES PER $100 VALUATION				
Debt service tax rates	$ 0.42000	$ 0.44000	$ 0.50000	$ 0.55000
Maintenance tax rates*	0.20000	0.20000	0.17000	0.18000
TOTAL TAX RATES PER $100 VALUATION	$ 0.62000	$ 0.64000	$ 0.67000	$ 0.73000
TAX ROLLS	$ 2,339,074	$ 2,542,291	$ 2,599,045	$ 2,433,191
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	0.5 %**	99.8 %	99.8 %	99.7 %

*Maximum tax rate approved by voters on January 15, 1977: $0.20

**The District's taxes are usually levied in the fall and are not delinquent until after the following January 31.

***As of October 31, 2019, approximately $33,192,943 in additional property valuation was uncertified.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

OCTOBER 31, 2019

Series 2008

Due During Fiscal Years Ending October 31	Principal Due March 1	Interest Due March 1, September 1	Total
2020	$ 75,000	$ 2,250	$ 77,250

Series 2012

Due During Fiscal Years Ending October 31	Principal Due March 1	Interest Due March 1, September 1	Total
2020	$ 340,000	$ 33,875	$ 373,875
2021	290,000	26,425	316,425
2022	285,000	17,100	302,100
2023	285,000	5,700	290,700
TOTALS	$ 1,200,000	$ 83,100	$ 1,283,100

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

OCTOBER 31, 2019

	Series 2013		
Due During Fiscal Years Ending October 31	Principal Due March 1	Interest Due March 1, September 1	Total
2020	$	$ 88,406	$ 88,406
2021	25,000	87,890	112,890
2022	50,000	86,343	136,343
2023	50,000	84,281	134,281
2024	50,000	82,219	132,219
2025	50,000	80,157	130,157
2026	70,000	77,682	147,682
2027	90,000	74,382	164,382
2028	90,000	70,669	160,669
2029	100,000	66,750	166,750
2030	100,000	62,563	162,563
2031	100,000	58,313	158,313
2032	200,000	51,937	251,937
2033	200,000	43,187	243,187
2034	200,000	34,188	234,188
2035	225,000	24,344	249,344
2036	400,000	9,500	409,500
TOTALS	$ 2,000,000	$ 1,082,811	$ 3,082,811

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

OCTOBER 31, 2019

	Series 2014		
Due During Fiscal Years Ending October 31	Principal Due March 1	Interest Due March 1, September 1	Total
2020	$ 135,000	$ 55,454	$ 190,454
2021	145,000	51,426	196,426
2022	145,000	47,255	192,255
2023	155,000	42,940	197,940
2024	465,000	34,022	499,022
2025	165,000	24,958	189,958
2026	395,000	16,902	411,902
2027	390,000	5,610	395,610
TOTALS	$ 1,995,000	$ 278,567	$ 2,273,567

	Series 2015		
Due During Fiscal Years Ending October 31	Principal Due March 1	Interest Due March 1, September 1	Total
2020	$ 120,000	$ 107,369	$ 227,369
2021	225,000	102,194	327,194
2022	225,000	95,444	320,444
2023	230,000	89,481	319,481
2024	230,000	84,018	314,018
2025	455,000	74,319	529,319
2026	230,000	64,044	294,044
2027	230,000	57,144	287,144
2028	630,000	44,244	674,244
2029	375,000	28,935	403,935
2030	360,000	17,225	377,225
2031	350,000	5,687	355,687
TOTALS	$ 3,660,000	$ 770,104	$ 4,430,104

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

OCTOBER 31, 2019

	Series 2015A		
Due During Fiscal Years Ending October 31	Principal Due March 1	Interest Due March 1, September 1	Total
2020	$ 250,000	$ 126,562	$ 376,562
2021	250,000	121,562	371,562
2022	250,000	114,062	364,062
2023	250,000	104,062	354,062
2024	250,000	95,937	345,937
2025	250,000	89,531	339,531
2026	250,000	82,500	332,500
2027	250,000	75,000	325,000
2028	250,000	67,344	317,344
2029	250,000	59,532	309,532
2030	250,000	51,719	301,719
2031	250,000	43,906	293,906
2032	250,000	36,094	286,094
2033	250,000	28,282	278,282
2034	250,000	20,313	270,313
2035	250,000	12,188	262,188
2036	250,000	4,063	254,063
TOTALS	$ 4,250,000	$ 1,132,657	$ 5,382,657

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

OCTOBER 31, 2019

	Series 2018		
Due During Fiscal Years Ending October 31	Principal Due March 1	Interest Due March 1, September 1	Total
2020	$ 125,000	$ 55,312	$ 180,312
2021	125,000	52,812	177,812
2022	125,000	50,312	175,312
2023	125,000	47,812	172,812
2024	125,000	45,312	170,312
2025	125,000	42,500	167,500
2026	125,000	39,375	164,375
2027	125,000	35,938	160,938
2028	125,000	32,187	157,187
2029	125,000	28,438	153,438
2030	125,000	24,688	149,688
2031	125,000	20,938	145,938
2032	125,000	17,188	142,188
2033	125,000	13,438	138,438
2034	125,000	9,688	134,688
2035	125,000	5,859	130,859
2036	125,000	1,953	126,953
TOTALS	$ 2,125,000	$ 523,750	$ 2,648,750

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

OCTOBER 31, 2019

	Series 2019		
Due During Fiscal Years Ending October 31	Principal Due March 1	Interest Due March 1, September 1	Total
2020	$ 35,000	$ 162,500	$ 197,500
2021	35,000	161,100	196,100
2022	35,000	159,700	194,700
2023	35,000	158,650	193,650
2024	40,000	157,900	197,900
2025	140,000	155,400	295,400
2026	135,000	151,275	286,275
2027	135,000	147,225	282,225
2028	160,000	142,800	302,800
2029	430,000	133,950	563,950
2030	475,000	120,375	595,375
2031	495,000	105,825	600,825
2032	805,000	86,325	891,325
2033	790,000	61,906	851,906
2034	770,000	37,050	807,050
2035	755,000	12,269	767,269
TOTALS	$ 5,270,000	$ 1,954,250	$ 7,224,250

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

OCTOBER 31, 2019

	Annual Requirements for All Series		
Due During Fiscal Years Ending October 31	Total Principal Due	Total Interest Due	Total
2020	$ 1,080,000	$ 631,728	$ 1,711,728
2021	1,095,000	603,409	1,698,409
2022	1,115,000	570,216	1,685,216
2023	1,130,000	532,926	1,662,926
2024	1,160,000	499,408	1,659,408
2025	1,185,000	466,865	1,651,865
2026	1,205,000	431,778	1,636,778
2027	1,220,000	395,299	1,615,299
2028	1,255,000	357,244	1,612,244
2029	1,280,000	317,605	1,597,605
2030	1,310,000	276,570	1,586,570
2031	1,320,000	234,669	1,554,669
2032	1,380,000	191,544	1,571,544
2033	1,365,000	146,813	1,511,813
2034	1,345,000	101,239	1,446,239
2035	1,355,000	54,660	1,409,660
2036	775,000	15,516	790,516
TOTALS	$ 20,575,000	$ 5,827,489	$ 26,402,489

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

FOR THE YEAR ENDED OCTOBER 31, 2019

	(1)	(2)	(3)
Bond Series:	2008	2011	2012
Interest Rate:	6.00%	Not Applicable	2.25% to 4.00%
Dates Interest Payable:	March 1/ September 1	Not Applicable	March 1/ September 1
Maturity Dates:	March 1, 2020	Not Applicable	March 1, 2020/2023
Bonds Outstanding at Beginning of Current Year	$ 145,000	$ 4,955,000	$ 1,530,000
Less Retirements	(70,000)	(4,955,000)	(330,000)
Bonds Outstanding at End of Current Year	$ 75,000	$ 0	$ 1,200,000
Current Year Interest Paid	$ 6,600	$ 123,050	$ 41,413

Bond Descriptions and Original Amount of Issue

(1) Harris County Municipal Utility District No. 65 Unlimited Tax Bonds, Series 2008 ($2,785,000)

(2) Harris County Municipal Utility District No. 65 Unlimited Tax Bonds, Series 2011 ($4,955,000)

(3) Harris County Municipal Utility District No. 65 Unlimited Tax Refunding Bonds, Series 2012 ($2,780,000)

Paying Agent/Registrar

(1) (2) (3) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond Authority	Tax Bonds	Other Bonds	Refunding Bonds
Amount Authorized by Voters:	$ 37,700,000	$ 0	Included in tax auth.
Amount Issued:	30,270,000		
Remaining to be Issued:	7,430,000		

Net Debt Service Fund deposits and investments balances as of October 31, 2019:	$1,106,565
Average annual debt service payment for remaining term of all debt:	1,553,088

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

FOR THE YEAR ENDED OCTOBER 31, 2019

	(4)	(5)	(6)
Bond Series:	2013	2014	2015
Interest Rate:	4.125% to 4.75%	2.877%	2.25% to 3.25%
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity Dates:	March 1, 2021/2036	March 1, 2020/2027	March 1, 2020/2031
Bonds Outstanding at Beginning of Current Year	$ 2,000,000	$ 2,125,000	$ 3,780,000
Less Retirements	0	(130,000)	(120,000)
Bonds Outstanding at End of Current Year	$ 2,000,000	$ 1,995,000	$ 3,660,000
Current Year Interest Paid	$ 88,406	$ 59,266	$ 110,369

Bond Descriptions and Original Amount of Issue

(4) Harris County Municipal Utility District No. 65 Unlimited Tax Bonds, Series 2013 ($2,000,000)

(5) Harris County Municipal Utility District No. 65 Unlimited Tax Refunding Bonds, Series 2014 ($2,820,000)

(6) Harris County Municipal Utility District No. 65 Unlimited Tax Refunding Bonds, Series 2015 ($4,140,000)

Paying Agent/Registrar

(4) (6) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

(5) Regions Bank, N.A., Birmingham, Alabama

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT, (Continued)

FOR THE YEAR ENDED OCTOBER 31, 2019

	(7)	(8)	(9)	Totals
Bond Series:	2015A	2018	2019	
Interest Rate:	2.00% to 4.00%	2.00% to 3.125%	3.00% to 4.00%	
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	March 1/ September 1	
Maturity Dates:	March 1, 2020/2036	March 1, 2020/2036	March 1, 2020/2035	
Bonds Outstanding at Beginning of Current Year	$ 4,580,000	$ 2,255,000	$	$ 21,370,000
Add Bonds Sold			5,270,000	5,270,000
Less Retirements	(330,000)	(130,000)	0	(6,065,000)
Bonds Outstanding at End of Current Year	$ 4,250,000	$ 2,125,000	$ 5,270,000	$ 20,575,000
Current Year Interest Paid	$ 132,362	$ 57,863	$ 81,600	$ 700,929

Bond Descriptions and Original Amount of Issue

(7) Harris County Municipal Utility District No. 65 Unlimited Tax Bonds, Series 2015A ($6,080,000)

(8) Harris County Municipal Utility District No. 65 Unlimited Tax Bonds, Series 2018 ($2,255,000)

(9) Harris County Municipal Utility District No. 65 Unlimited Tax Refunding Bonds, Series 2019 ($5,270,000)

Paying Agent/Registrar

(7) (8) (9) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND

FOR YEARS ENDED OCTOBER 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
REVENUES										
Property taxes	$ 795,306	$ 661,097	$ 593,372	$ 402,546	$ 317,881	45.6 %	41.4 %	38.4 %	28.3 %	20.1 %
Water service	318,299	313,642	323,968	314,703	412,780	18.2	19.6	21.0	22.2	26.2
Sewer service	382,157	380,089	372,977	363,759	333,485	21.9	23.8	24.1	25.7	21.2
Surface water fees	157,718	155,543	155,569	138,463	224,911	9.0	9.7	10.1	9.8	14.3
Penalty and other	44,523	46,460	47,343	44,779	71,509	2.5	2.9	3.1	3.2	4.5
Tap connection and inspection fees	24,580	21,890	45,440	151,605	213,685	1.4	1.4	2.9	10.7	13.6
Interest on deposits and investments	25,240	18,753	6,035	1,688	1,210	1.4	1.2	0.4	0.1	0.1
TOTAL REVENUES	1,747,823	1,597,474	1,544,704	1,417,543	1,575,461	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Purchased sewer services	203,018	234,214	234,201	246,071	202,438	11.6	14.7	15.2	17.4	12.8
Professional fees	247,028	231,462	220,324	217,160	202,680	14.1	14.5	14.3	15.3	12.9
Contracted services	118,535	119,373	120,280	123,415	116,378	6.8	7.5	7.8	8.7	7.4
Utilities	67,673	78,150	82,310	53,246	129,610	3.9	4.9	5.3	3.8	8.2
Surface water fees	155,976	156,667	180,465	153,964	214,267	8.9	9.8	11.7	10.9	13.6
Repairs, maintenance and other operating expenditures	298,220	434,566	253,231	323,684	309,365	17.0	27.1	14.9	22.8	19.6
Security service	69,165	68,495	67,206	67,151	23,130	4.0	4.3	4.4	4.7	1.5
Administrative expenditures	110,020	111,372	110,357	102,738	100,851	6.3	7.0	7.1	7.2	6.4
Capital outlay	10,350	106,835	51,628	81,205	97,415	0.6	6.7	3.3	5.7	6.2
TOTAL EXPENDITURES	1,279,985	1,541,134	1,320,002	1,368,634	1,396,134	73.2	96.5	84.0	96.5	88.6
EXCESS REVENUES (EXPENDITURES)	$ 467,838	$ 56,340	$ 224,702	$ 48,909	$ 179,327	26.8 %	3.5 %	16.0 %	3.5 %	11.4 %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,881	1,863	1,844	1,813	1,685					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,856	1,839	1,817	1,786	1,664					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND

FOR YEARS ENDED OCTOBER 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
REVENUES										
Property taxes	$ 1,751,965	$ 1,945,541	$ 1,814,016	$ 1,852,266	$ 1,529,207	97.1 %	97.7 %	99.0 %	98.7 %	98.2 %
Penalty and interest	21,883	29,315	11,201	18,247	10,835	1.2	1.5	0.6	1.0	0.7
Accrued interest on bonds received at date of sale	11,333	2,136	0	0	12,389	0.6	0.1	0.0	0.0	0.8
Interest on deposits and investments	19,831	13,656	7,115	4,801	4,338	1.1	0.7	0.4	0.3	0.3
TOTAL REVENUES	1,805,012	1,990,648	1,832,332	1,875,314	1,556,769	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	26,351	31,705	26,450	21,125	25,002	1.5	1.6	1.4	1.1	1.6
Contracted services	51,068	51,093	42,861	48,873	45,253	2.8	2.6	2.3	2.6	2.9
Other expenditures	14,506	11,713	25,413	10,516	5,530	0.8	0.6	1.4	0.6	0.4
Debt service:										
Principal retirement	1,110,000	1,145,000	1,135,000	1,120,000	570,000	61.4	57.4	62.0	59.7	36.6
Refunding contribution	0	0	0	0	9,675	0.0	0.0	0.0	0.0	0.6
Interest and fees	704,929	747,858	741,443	767,001	662,208	39.1	37.6	40.5	40.9	42.5
TOTAL EXPENDITURES	1,906,854	1,987,369	1,971,167	1,967,515	1,317,668	105.6	99.8	107.6	104.9	84.6
EXCESS REVENUES (EXPENDITURES)	$ (101,842)	$ 3,279	$ (138,835)	$ (92,201)	$ 239,101	(5.6) %	0.2 %	(7.6) %	(4.9) %	15.4 %

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

OCTOBER 31, 2019

Complete District Mailing Address: Harris County Municipal Utility District No. 65
c/o Young & Brooks
10000 Memorial Drive, Suite 260
Houston, Texas 77024

District Business Telephone No.: 713-651-0800

Submission date of the most recent District Registration Form: November 13, 2019

Limit on Fees of Office that a Director may receive during a fiscal year: $7,200

BOARD MEMBERS

Name and Address	Term of Office (Elected/ Appointed)	Fees of Office Paid	Expense Reimb.	Title at Year End
Richard Marshall 19015 Tyrone Spring, Texas 77373	Elected 5/05/18- 5/07/22	$ 3,900	$ 4,090	President
Michael Allbritton 21619 Park York Katy, Texas 77450	Elected 5/05/18- 5/07/22	2,700	803	Vice President
Anca Muntean 5455 Richmond Ave., #4053 Houston, Texas 77056	Elected 5/05/18- 5/07/22	900	0	Secretary
Whitney Fisher 1002 W. 30th Street Houston, Texas 77018	Appointed 4/09/19- 5/02/20	750	34	Assistant Secretary

Four directors at October 31, 2019.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 65

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

OCTOBER 31, 2019

CONSULTANTS

Name and Address	Date Hired	Fees and Expense Reimbursements	Title at Year End
Young & Brooks 10000 Memorial Drive, Suite 260 Houston, Texas 77024	12/22/75	$ 247,617 65,875 Bonds	Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	7/19/78	19,331 2,500 Bonds	Bookkeeper
Municipal Operations & Consulting, Inc. 27316 Spectrum Way Oak Ridge, Texas 77385	10/01/02	390,903	Operator
Edminster, Hinshaw, Russ & Associates, Inc. 10011 Meadowglen Lane Houston, Texas 77042	12/22/75	62,342	Engineer
Wheeler & Associates, Inc. 6935 Barney Road, Suite 110 Houston, Texas 77040	12/22/75	43,511 1,000 Bonds	Tax Assessor-Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	18,839	Central Appraisal District
Masterson Advisors, LLC 4400 Post Oak Parkway, Suite 2370 Houston, Texas 77027	6/12/18	55,989 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	1983	10,950 750 Bonds	Independent Auditor

APPENDIX B

Specimen Municipal Bond Insurance Policy

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $_________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, 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 first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such 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 BAM. 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 BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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 (as defined herein) 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 BAM 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 made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or 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, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, BAM 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 BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM 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, 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. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)