

OFFICIAL STATEMENT DATED JANUARY 25, 2021

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

THE DISTRICT HAS NOT DESIGNATED THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—NOT QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS."

NEW ISSUE-Book-Entry-Only

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

\$9,600,000

SPRING CREEK UTILITY DISTRICT

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

UNLIMITED TAX BONDS

SERIES 2021

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

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are subject to special investment risks described herein. See "INVESTMENT CONSIDERATIONS."

Dated: February 1, 2021

Due: October 1, as shown below

Principal of the Bonds is 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, N.A., Dallas, Texas (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment. Interest on the Bonds accrues from February 1, 2021, and is payable each April 1 and October 1 commencing October 1, 2021, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "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 ASSURED GUARANTY MUNICIPAL CORP. See "MUNICIPAL BOND INSURANCE" herein.

MATURITY SCHEDULE

Due	Principal	Interest	Initial	CUSIP	Due	Principal	Interest	Initial	CUSIP
(Oct. 1)	Amount	Rate	Reoffering	Number (b)	(Oct. 1)	Amount	Rate	Reoffering	Number (b)
			Yield (c)					Yield (c)	
2021	\$ 400,000	1.00%	0.20%	849520 UX7	2029	\$ 400,000 (a)	1.00%	1.00%	849520 VF5
2022	400,000	1.00	0.25	849520 UY5	2030	400,000 (a)	1.00	1.10	849520 VG3
2023	400,000	1.00	0.30	849520 UZ2	2031	400,000 (a)	1.25	1.25	849520 VH1
2024	400,000	1.00	0.40	849520 VA6	2032	400,000 (a)	1.25	1.40	849520 VJ7
2025	400,000	1.00	0.50	849520 VB4	2033	400,000 (a)	1.50	1.50	849520 VK4
2026	400,000	1.00	0.60	849520 VC2	2034	400,000 (a)	1.50	1.60	849520 VL2
2027	400,000 (a)	1.00	0.70	849520 VD0	2035	400,000 (a)	1.50	1.70	849520 VM0
2028	400,000 (a)	1.00	0.85	849520 VE8	2036	400,000 (a)	1.75	1.75	849520 VN8

\$800,000 Term Bonds due October 1, 2038 (a), 849520 VQ1 (b), 2.00% Interest Rate, 1.65% Yield (c)

\$1,200,000 Term Bonds due October 1, 2041 (a), 849520 VT5 (b), 2.00% Interest Rate, 1.93% Yield (c)

\$1,200,000 Term Bonds due October 1, 2044 (a), 849520 VW8 (b), 2.00% Interest Rate, 2.00% Yield (c)

(a) Bonds maturing on or after October 1, 2027, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on October 1, 2026, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date 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."

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

(c) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Initial Purchaser (as herein defined) for offers to the public and which subsequently may be changed.

The Bonds are offered when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Roach & Associates, PLLC, The Woodlands, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds through the facilities of DTC is expected on or about February 23, 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 representations 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, resolutions, 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 Roach & Associates, PLLC, Bond Counsel, 2001 Timberloch Place, Suite 500, The Woodlands, Texas 77380, for further information, upon payment of duplication costs.

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

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

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

OFFICIAL STATEMENT SUMMARY

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

INFECTIOUS DISEASE OUTLOOK (COVID-19)

General...

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

Impact...

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 and homebuilding activity 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 partially prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District’s financial condition. See “INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19).”

HURRICANE HARVEY

General...

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

Impact on the District...

According to the District’s Operator (as defined herein), the District’s System (as defined herein) sustained no material damage and there was no interruption of District water and sewer service as a result of Hurricane Harvey. According to the District’s Operator and Engineer (as defined herein), approximately 200 homes (approximately 6%) within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

THE DISTRICT

Description...

The District is a political subdivision of the State of Texas, created by Acts of the 62nd Legislature of the State of Texas, Regular Session, 1971, and operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended. The District is located in southern Montgomery County approximately 25 miles north of downtown Houston. The District lies approximately three miles east of Interstate Highway 45 (“IH 45”) and is bisected by Rayford Road and bounded on the south-southeast by Riley-Fuzzel Road (now the Grand Parkway Tollroad). There are two tollroad metered exits/entrances within the District. The District contains approximately 1,059 acres and is wholly within the extraterritorial jurisdiction of the City of Houston. See “THE DISTRICT” and “AERIAL LOCATION MAP.”

Status of Development...

Water, sanitary sewer and drainage facilities, as well as street paving, are complete to serve Fox Run Sections 1 through 12, Legends Run, Sections 1 through 13, Spring Creek Pines, Forest Village, Sections 1 through 11, and Lockeridge Farms, Section 1 (677 acres developed into 3,589 single family residential lots) As of December 1, 2020, the District contained 3,503 occupied single-family connections, 35 vacant single-family connections, 24 builder connections and 27 vacant developed lots. New home construction in the District is presently being conducted by Lakeridge Builders, with homes selling within the \$225,000 to \$300,000 price range. The average home value in the District for tax year 2020 was \$144,432.

Commercial development in the District includes a self-storage facility, three convenience stores/gas stations, and a fast-food restaurant on approximately 19 acres of land. A 267,000 square foot Wal-Mart, a CVS Pharmacy, an AT&T store, a UPS store, a Whataburger, a Bank of America, a Regions Bank, a Pollo Loco, a Starbucks, a State Farm Insurance agency, a Today’s Vision, a Mattress Firm, a Marco’s Pizza and a Pet Supply Plus have been constructed on a portion of a 29-acre tract that has been developed as Rayford Crossing. A 125,000 square foot Kroger grocery store and ancillary retail establishments, including a PetsMart, Sprint Store, a Chipotle, a Spring Creek BBQ, a Fajita Pete’s, a Woodson’s Pub & Grill, a First Financial Bank, Marble Slab Creamery, SalonStudios, Memorial Hermann Healthcare Center, and a restaurant have been constructed on a 25-acre tract being marketed as Birnham Woods Marketplace. In addition, a gas station, self-storage facility, day care facility, Chick Fil-A, Taco Bell, Popeye’s, an auto supply store, and various other retail establishments have been constructed on an approximately 10-acre site marketed as Birnham Woods Crossing. In addition, approximately 10 acres of commercial tracts were recently annexed into the District and include a car dealership, an automotive center and car wash, a retail shopping center and various food establishments. Regal Cinemas Inc. owns approximately 14 acres of land in the District which an approximately 138,700 sf building consisting of a movie theater, fast food, bar, and fine dining restaurant is currently under construction with an expected completion date of February 2021.

The District also contains a church located on approximately 8 acres which is not subject to ad valorem taxation, and a Conroe Independent School District flex school constructed on approximately 17 acres, which is not subject to ad valorem taxation. There is a Montgomery County Emergency Service District No. 8 fire station located on approximately 3 acres in the District and a pool/fitness complex located on an additional 4 acres within the District. In addition, the District contains approximately 21 acres which are developable but not yet served with utilities and approximately 223 acres of land in rights-of- way, easements, drainage channels, parks and open spaces, District plant sites, and recreational areas.

The Developers and Principal Property Owners...

Recent single-family development has been conducted by Woodmere Development Company, Ltd (“Woodmere”), a Texas limited partnership, which is developing Forest Village. Woodmere’s general partner is Woodmere GP, LLC. Woodmere presently owns approximately 39 acres of undeveloped land in the District, a portion of which is undevelopable.

Parkway Rayford 42, LP (“PR42”), a Texas limited partnership, through its affiliate Willmann Development Company, LLC developed approximately 29 acres in the District known as Rayford Crossing into multiple commercial/retail sites, all but one of which have subsequently been sold to various other parties including Wal-Mart. PR42 currently owns approximately one acre of land in the District upon which a quick serve restaurant has been built.

Birnham Woods Crossing LLC (“Birnham Woods”), a Texas limited liability corporation, owns approximately 13 acres of land in the District upon which a portion of the Birnham Woods Marketplace has been constructed.

Woodmere, PR42 and Birnham Woods are collectively referred herein as the “Developers.” See “THE DEVELOPERS AND PRINCIPAL PROPERTY OWNERS.”

Payment Record...

The District has previously issued nine series of waterworks and sewer system combination unlimited tax and revenue bonds, seven series of unlimited tax refunding bonds and five series of unlimited tax bonds, of which \$54,015,000 principal amount was outstanding as of December 1, 2020 (the “Outstanding Bonds”). The District has never defaulted in the payment of principal and interest on the Outstanding Bonds.

THE BONDS

Description...

\$9,600,000 Unlimited Tax Bonds, Series 2021 (the “Bonds”) are being issued as fully registered bonds pursuant to an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the District’s Board of Directors (the “Board”). The Bonds are scheduled to mature serially on October 1 in the years 2021 through 2036, both inclusive, and as term bonds on October 1 in each of the years 2038, 2041 and 2044 (the “Term Bonds”) in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from February 1, 2021, and is payable October 1, 2021, and each April 1 and October 1 thereafter, until the earlier of maturity or redemption. See “THE BONDS.”

Book-Entry-Only System...

The Depository Trust Company (defined as “DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully- registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”

Redemption...

Bonds maturing on or after October 1, 2027 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on October 1, 2026, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

Use of Proceeds...

Proceeds of the Bonds will be used to pay for the items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS” including to pay interest on funds advanced by the Developers on behalf of the District; and to pay engineering fees, administrative costs, and certain other costs related to the issuance of the Bonds and the operation of the District. See “USE AND DISTRIBUTION OF BOND PROCEEDS” and “THE SYSTEM.”

Authority for Issuance...

The District’s voters have authorized the issuance of \$27,000,000 principal amount of waterworks and sewer system combination unlimited tax and revenue bonds and \$190,000,000 principal amount of unlimited tax bonds for purposes of acquiring and constructing the water, sanitary sewer and drainage facilities to serve land within the District. The Bonds are the fifteenth series of bonds issued out of such authorizations. The Bonds are issued by the District pursuant to an Order of the TCEQ, 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, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance.”

Source of Payment...

Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the City of Houston, Montgomery County, the State of Texas or any entity other than the District. See “THE BONDS—Source of Payment.”

*Municipal Bond Insurance
and Rating...*

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

*Not Qualified Tax-Exempt
Obligations...*

The Bonds have not been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS—Not Qualified Tax- Exempt Obligations for Financial Institutions."

Bond Counsel...

Roach & Associates, PLLC, The Woodlands, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS."

Disclosure 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, N.A., Houston, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION

2020 Certified Taxable Assessed Valuation	\$661,295,155	(a)
Estimated Taxable Assessed Valuation as of November 15, 2020	\$678,971,770	(b)
Gross Direct Debt Outstanding	\$63,615,000	(c)
Ratios of Gross Direct Debt to:		
2020 Certified Taxable Assessed Valuation	9.62%	
Estimated Taxable Assessed Valuation as of November 15, 2020	9.37%	
2020 Debt Service Tax Rate	\$0.71	
2020 Maintenance Tax Rate	0.28	
2020 Total Tax Rate	\$0.99	
Average percentage of total tax collections (2015-2019)	99.62%	
Average Annual Debt Service Requirement (2021-2044)	\$3,687,042	(d)
Maximum Annual Debt Service Requirement (2021)	\$4,472,379	(d)
Tax Rates Required to Pay Average Annual Debt Service (2021-2044) at a 95% Collection Rate		
Based upon 2020 Certified Taxable Assessed Valuation	\$0.59	
Based upon Estimated Taxable Assessed Valuation as of November 15, 2020	\$0.58	
Tax Rates Required to Pay Maximum Annual Debt Service (2021) at a 95% Collection Rate		
Based upon 2020 Certified Taxable Assessed Valuation	\$0.72	
Based upon Estimated Taxable Assessed Valuation as of November 15, 2020	\$0.70	
Status of Development as of December 1, 2020 (e):		
Homes Completed (3,503 Occupied).....	3,538	
Homes Under Construction	24	
Vacant Developed Lots	27	
Commercial	50	
Other	16	
Estimated Population	12,260	(f)
(a)	As certified by the Montgomery Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."	
(b)	The Estimated Taxable Assessed Value has been provided by the Appraisal District as of November 15, 2020. Increases in value from January 1, 2020 through November 15, 2020 will be not certified until the fall of 2021 as part of the 2021 taxable assessed valuation. No tax will be levied on such amount until it is certified by the Appraisal District. See "TAXING PROCEDURES."	
(c)	After the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) —Debt Service Requirements."	
(d)	See "DEBT SERVICE REQUIREMENTS."	
(e)	See "THE DISTRICT—Land Use" and "—Status of Development."	
(f)	Based upon 3.5 persons per occupied single-family residence.	

OFFICIAL STATEMENT
\$9,600,000

SPRING CREEK UTILITY DISTRICT
(A political subdivision of the State of Texas located within Montgomery County)

UNLIMITED TAX BONDS
SERIES 2021

This Official Statement provides certain information in connection with the issuance by Spring Creek Utility District (the "District") of its \$9,600,000 Unlimited Tax Bonds, Series 2021 (the "Bonds").

The Bonds are issued by the District pursuant to an Order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission"), 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, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas and an election held within the District.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, the Developers (as defined herein) and development activity in 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 Roach & Associates, PLLC, Bond Counsel, 2001 Timberloch Place, Suite 500, The Woodlands, Texas 77380, upon payment of duplication costs.

THE BONDS

Description

The Bonds will be dated and accrue interest from February 1, 2021, with interest payable each April 1 and October 1 (each an "Interest Payment Date"), and, beginning October 1, 2021 will mature on the dates and in the amounts and pay interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

In the Bond Order, the Board has appointed The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas as the initial 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. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the registered owner (the "Registered Owner") of record as of the close of business on the March 15 or September 15 immediately preceding 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 bank arrangements as may be agreed upon 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.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Montgomery 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. The remaining proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund, to be used for the purpose of reimbursing the Developers for certain construction costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund after completion of construction of the entire system (as herein defined) will be used as described in the Bond Order or ultimately transferred to the Debt Service Fund. See “USE AND DISTRIBUTION OF BOND PROCEEDS” and “THE SYSTEM” for a complete description of the use of Bond proceeds and the projects related thereto.

Redemption Provisions

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after October 1, 2027, prior to their scheduled maturities, in whole or from time-to-time in part, in integral multiples of \$5,000 on October 1, 2026, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption.

Mandatory Redemption: The Bonds due on October 1 in each of the years 2038, 2041 and 2044 (the “Term Bonds”) are also subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on October 1 in the years (“Mandatory Redemption Dates”) and in the amounts set forth below, subject to proportionate reduction at a redemption price of par plus accrued interest to the date of redemption:

\$800,000 Term Bonds		\$1,200,000 Term Bonds		\$1,200,000 Term Bonds	
Due October 1, 2038		Due October 1, 2041		Due October 1, 2044	
Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
2037	\$ 400,000	2039	\$ 400,000	2042	\$ 400,000
2038 (maturity)	400,000	2040	400,000	2043	400,000
		2041 (maturity)	400,000	2044 (maturity)	400,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Registrar shall (i) determine the principal amount of such Term Bond that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Order. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond, which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

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.

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 by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. 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 numbers 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.

Authority for Issuance

At multiple bond elections held within the District, voters have authorized the issuance of \$27,000,000 principal amount of waterworks and sewer system combination unlimited tax and revenue bonds and \$190,000,000 principal amount of unlimited tax bonds for purposes of acquiring and constructing the water, sanitary sewer and drainage facilities to serve land within the District. The Bonds are issued pursuant to such authorization. See "Issuance of Additional Debt" below.

The Bonds are issued by the District pursuant to an Order of the TCEQ, 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, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

Before the Bonds can be issued, the Attorney General of Texas must pass upon 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.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order.

In the event the Book-Entry-Only System should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

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

Issuance of Additional Debt

The District's voters have authorized the issuance of \$27,000,000 principal amount of waterworks and sewer system combination unlimited tax and revenue bonds and \$190,000,000 principal amount of unlimited tax bonds for purposes of acquiring and constructing the water, sanitary sewer and drainage facilities to serve land within the District. The District's voters have also authorized \$144,000,000 principal amount of unlimited tax bonds for refunding bonds previously issued by the District. The District's voters could authorize additional amounts in future elections. After issuance of the Bonds, the District will have \$133,060,000 principal amount of authorized but unissued unlimited tax bonds and \$5,155,000 principal amount of authorized but unissued waterworks and sewer system combination unlimited tax and revenue bonds for purposes of acquiring and constructing water, sanitary sewer and drainage facilities. In addition, the District currently has \$139,800,692 principal amount of authorized but unissued bonds for refunding purposes. The Bond Order imposes no limitation on the amount of additional parity bonds which may be subsequently 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 purposes. Before the District could issue such bonds, the following actions would be required: (a) approval of a detailed fire plan by the TCEQ; (b) authorization of the detailed fire plan and bonds for such purposes by the qualified voters in the District; (c) approval of the bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board has not considered a fire plan or calling an election at this time for such purposes.

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 plan and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the TCEQ, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the TCEQ for "road powers" nor calling such an election at this time.

Issuance of additional debt could dilute the investment security for the Bonds.

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, 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. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt, nor does the District make any representation concerning the ability of the City to pay debt service on the District's bonds if annexation were to occur. Under the terms of the SPA (as defined herein) between the District and the City, however, the City has agreed not to annex the District for full purposes (a traditional municipal annexation) for at least thirty (30) years from the date of the execution of the SPA. See "THE DISTRICT—Strategic Partnership Agreement."

Strategic Partnership

Pursuant to Chapter 43 of the Texas Local Government Code, the City and the District entered into a Strategic Partnership Agreement effective December 19, 2011 (as Amended and Restated effective November 22, 2013) to provide for a “limited purpose annexation” of that portion of the District that has been developed for retail and commercial purposes. See “THE DISTRICT—Strategic Partnership Agreement.”

Consolidation

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

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the 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. See “INVESTMENT CONSIDERATIONS—Registered Owners’ Remedies and Bankruptcy Limitations.”

No Arbitrage

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

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is 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) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to the investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will 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 "Procedure" of DTC to be followed in dealing with DTC Direct Participants are on file with DTC.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This

eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating of “AA+” from 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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by A&S Engineers, Inc., the District's engineer (the "Engineer"), and were submitted to the TCEQ in the District's Bond Application. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and Masterson Advisors LLC (the "Financial Advisor"). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

CONSTRUCTION COSTS

• Forest Village Section 3 Channel Rehabilitation.....	\$	26,375
• Forest Village Drainage Channel Desilt.....		15,800
• Forest Village Section 10 Water, Sewer & Drainage Facilities.....		335,064
• Water Line Extension.....		283,149
• Rayford Road Lift Station.....		570,759
• Gravity Sewer and Force Main Extension.....		422,959
• Forest Village Annexation.....		8,291
• CCN Decertification.....		81,844
• Annexation and Feasibility Study.....		80,288
• Easement Condemnation.....		262,866
• Land Acquisition.....		948,934
• Water Line Rehabilitation, Phase I.....		2,692,000
• Water Line Rehabilitation, Phase II.....		1,466,069
• Contingency.....		416,000
• Engineering.....		1,458,387
• Less: Surplus Funds.....		<u>(825,000)</u>
Total Construction Costs.....	\$	8,243,785

NON-CONSTRUCTION COSTS

• Legal Fees.....	\$	192,000
• Financial Advisory Fees.....		192,000
• Developer Interest (estimated).....		276,307
• Developer Interest (Land Acquisition)(estimated).....		252,856
• Underwriter's Discount (a).....		74,168
• Bond Issuance Expenses.....		46,552
• TCEQ Fee (0.25%).....		24,000
• Attorney General Fee (0.10%).....		9,500
• Bond Application Report Cost.....		75,000
• Contingency (a).....		<u>213,832</u>
Total Issuance Costs and Fees.....	\$	1,356,215

TOTAL BOND ISSUE REQUIREMENT **\$ 9,600,000**

(a) The TCEQ approved a maximum Underwriter's discount of 3.0%. In its order approving the Bonds, the TCEQ directed that any surplus bond proceeds resulting from a lower bond discount than that proposed, shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval by the TCEQ.

THE DISTRICT

General

Spring Creek Utility District (the “District”) is a municipal utility district created by House Bill No. 1758 (62nd Texas Legislature, 1971). The District operates under provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes applicable to municipal utility districts. The District is subject to the continuing supervision of the TCEQ. The District is located wholly within the exclusive extraterritorial jurisdiction of the City and within the boundaries of the Conroe Independent School District.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts after approval from the City, the TCEQ and the voters of the District. The District is authorized by statute to develop and finance parks and recreational facilities. See “District Parks and Recreation Facilities” below. Additionally, the District may develop and finance roads, subject to certain limitations and the granting of road powers by the TCEQ.

The TCEQ exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, roads, fire-fighting facilities and park and recreational facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans; and permit connections only to platted lots and reserves which have been approved by the Planning Commission of the City. Construction and operation of the District's systems are subject to the regulatory jurisdiction of additional government agencies. See “THE SYSTEM.”

Description and Location

The District, which contains approximately 1,059 acres of land, is located in the southern portion of Montgomery County approximately 25 miles north of the downtown business area of the City and 13 miles south of the City of Conroe, the largest city and county seat of Montgomery County. The District is bisected by Rayford Road and bound on the south-southeast by Riley-Fuzzel Road (now the Grand Parkway Tollroad). There are two toll road metered exits/entrances within the District. Access to Houston's central business district is provided via Rayford Road west three miles to IH 45 and the Hardy Toll Road two miles to the west.

Status of Development

Water, sanitary sewer and drainage facilities, as well as street paving, are complete to serve Fox Run Sections 1 through 12, Legends Run, Sections 1 through 13, Spring Creek Pines, Forest Village, Sections 1 through 11 and, Lockeridge Farms, Section 1 (677 acres developed into 3,589 single family residential lots). As of December 1, 2020, the District contained 3,503 occupied single-family connections, 35 vacant single-family connections, 24 builder connections and 27 vacant developed lots. New home construction in the District is presently being conducted by Lakeridge Builders, with homes selling within the \$225,000 to \$300,000 price range. The average home value in the District for tax year 2020 was \$144,432.

Commercial development in the District includes a self-storage facility, three convenience stores/gas stations, and a fast food restaurant on approximately 19 acres of land. A 267,000 square foot Wal-Mart, a CVS Pharmacy, an AT&T store, a UPS store, a Whataburger, a Bank of America, a Regions Bank, a Pollo Loco, a Starbucks, a State Farm Insurance agency, a Today's Vision, a Mattress Firm, a Marco's Pizza and a Pet Supply Plus have been constructed on a portion of a 29-acre tract that has been developed as Rayford Crossing. A 125,000 square foot Kroger grocery store and ancillary retail establishments, including a PetsMart, Sprint Store, a Chipotle, a Spring Creek BBQ, a Fajita Pete's, a Woodson's Pub & Grill, A First Financial Bank, Marble Slab Creamery, Salon Studios, Memorial Hermann healthcare center and a restaurant have been constructed on a 25-acre tract being marketed as Birnham Woods Marketplace. In addition, a gas station, self-storage facility, day care facility, Chick Fil-A, Taco Bell, Popeye's, an auto supply store and various other retail establishments have been constructed on an approximately 10-acre site marketed as Birnham Woods Crossing. In addition, approximately 10 acres of commercial tracts were recently annexed into the District and include a car dealership, an automotive center and car wash, a retail shopping center and various food establishments. Regal Cinemas Inc. owns approximately 14 acres of land in the District which an approximately 138,700 sf building consisting of a movie theater, fast food, bar, and fine dining restaurant which is currently under construction with an expected completion date of February 2021.]

The District also contains a church located on approximately 8 acres which is not subject to ad valorem taxation, and a Conroe Independent School District flex school constructed on approximately 17 acres, which is not subject to ad valorem taxation. There is a Montgomery County Emergency Service District No. 8 fire station located on approximately 3 acres in the District and a pool/fitness complex located on an additional 4 acres within the District. In addition, the District contains approximately 21 acres which are developable but not yet served with utilities and approximately 223 acres of land in rights-of-way, easements, drainage channels, parks and open spaces, District plant sites, and recreational areas.

District Parks and Recreation Facilities

The District owns Fox Springs Park, a park and recreation facility. Fox Springs Park was constructed with District general funds and a grant from the Texas Parks and Wildlife Department. Fox Springs Park is located on approximately 20 acres and includes a walking/jogging path, two multipurpose fields, two volleyball courts, a children’s playground with a play structure, a picnic area and a pond with a fishing pier. Parking facilities are available at the park with handicap access to the facilities.

Community Facilities

Amenities located within the boundaries of the District include two swimming pools and a splash pad. Fire protection is provided by the South Montgomery County Volunteer Fire Department.

Shopping facilities are located on Rayford Road approximately one-half mile west of the District. Several retail centers located at the intersection of IH 45 and Rayford/Sawdust Road and along IH 45 between Rayford Road and The Woodlands Parkway also provide residents of the District with shopping and banking facilities. The Woodlands Mall, a regional shopping center, is located approximately five miles from the District.

Strategic Partnership Agreement

The District and the City have entered into a Strategic Partnership Agreement (the “SPA”) pursuant to Chapter 43 of the Texas Local Government Code effective December 19, 2011 (as Amended and Restated effective November 22, 2013). The SPA provides for the “limited purpose annexation” for that portion of the District which has been or is expected to be developed for retail or commercial purposes in order to apply certain City health, safety, planning and zoning ordinances and to impose a sales tax within that portion of the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for “full purposes” for at least thirty (30) years from the original effective date of the SPA.

Upon the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. The City is obligated to pay to the District an amount equal to one half (1/2) of all sales and use tax generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the “Sales Tax Revenue”). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds. The District accrued Sales Tax Revenues of \$425,225 from the City for the fiscal year ended April 30, 2020.

MANAGEMENT OF THE DISTRICT

Board of Directors

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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Claude Humbert	President	May 2022
Mark Fusca	Vice President	May 2024
Fred Sunderman	Secretary	May 2022
Leslie Gourley	Asst. Secretary	May 2024
Melvin Willcockson	Director	May 2024

District Consultants

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

Bond Counsel/Attorney: The District has engaged Roach & Associates, PLLC (the “Attorney” or “Bond Counsel”) as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

Financial Advisor: Masterson Advisors LLC serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Auditor: The financial statements of the District as of April 30, 2020, and for the year then ended, included in this offering document, have been audited by Mark, C. Eyring, CPA, PLLC, independent auditors (the “Auditor”), as stated in their report appearing herein. See APPENDIX A for a copy of the District's audited financial statements for the fiscal year ended April 30, 2020.

Engineer: The District's consulting engineer is A&S Engineers, Inc. (the “Engineer”).

District Inspector: The District contracts with ASB Services for inspection services within the District.

Tax Appraisal: The Montgomery Central Appraisal District has the responsibility of appraising all property within the District. See “TAXING PROCEDURES.”

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Utility Tax Service, LLC (the “Tax Assessor/Collector”) has been employed by the District to serve in this capacity.

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

Utility System Operator: The operator of the District's internal water and wastewater system is Municipal Operations & Consulting, Inc. (the “Operator”).

THE DEVELOPERS AND PRINCIPAL PROPERTY OWNERS

In general, activities of developers of property located in utility districts include establishing a marketing program and building schedule, securing necessary governmental approvals and permits, arranging for the construction of roads and installation of utilities (including gas, telephone and electric service as well as water, sanitary sewer and drainage facilities), providing amenities to encourage home buying in the development, and selling improved lots and commercial reserves to builders or others. In addition, developers are usually major taxpayers during the development phase of property within the utility district.

Recent single-family development has been conducted by Woodmere Development Company, Ltd (“Woodmere”), a Texas limited partnership, which is developing Forest Village. Woodmere's general partner is Woodmere GP, LLC. Woodmere presently owns approximately 39 acres of undeveloped land in the District, a portion of which is undevelopable.

Parkway Rayford 42, LP (“PR42”), a Texas limited partnership, through its affiliate Willmann Development Company, LLC developed approximately 29 acres in the District known as Rayford Crossing into multiple commercial/retail sites, all but one of which have subsequently been sold to various other parties including Wal-Mart.

Birnam Woods Crossing LLC (“Birnam Woods”), a Texas limited liability corporation, owns approximately 13 acres of land in the District upon which a portion of the Birnam Woods Marketplace has been constructed.

THE SYSTEM

Regulation

Construction and operation of the District's water, wastewater and storm drainage system ("System") as it now exists or as it may be expanded from time-to-time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated wastewater into Texas waters is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency ("EPA"). Construction of all water, wastewater and storm drainage facilities is subject to the regulatory authority of Montgomery County, Texas; the City of Houston, Texas; the TCEQ; the EPA; and in part by Montgomery County Drainage District No. 6.

Water Supply

The District is split into two pressure planes, generally bisected by Rayford Road. The South pressure plane is primarily sourced by two water plants, Spring Creek Utility District Water Plant No. 1 ("SCUD WP 1") and Spring Creek Utility District Water Plant No. 2 ("SCUD WP 2"). SCUD WP 1 includes a 1,129 gallon per minute ("gpm") well, a 500,000 gallon ground storage tank, two 20,000 gallon hydropneumatic pressure tanks, booster pumps with a combined capacity of 3,800 gpm and an auxiliary power generator capable of running the entire plant. SCUD WP 2 includes 1,203 gpm of water supply capacity, a 210,000 gallon ground storage tank, a 15,000 gallon hydropneumatic pressure tank, booster pumps with a combined capacity of 2,000 gpm and an auxiliary power generator capable of running the entire plant. According to the Engineer, the combined capacity of SCUD WP 1 and SCUD WP 2 is capable of serving approximately 2,900 equivalent single-family connections.

The District also shares Legends Ranch Water Plant No. 1 ("LR WP 1") with Montgomery County Municipal Utility District No. 89 ("MUD 89"). LR WP 1 consists of one 1,116 gpm well, two 212,000 gallon ground storage tanks, two 15,000 gallon pressure tanks, four booster bumps with a combined capacity of 3,360 gpm, and appurtenant equipment. The District currently owns 56% of the capacity in LR WP 1.

The North pressure plane is primarily sourced by two water plants that the District shares with other districts. The District shares Legends Ranch Water Plant No. 2 ("LR WP 2") with Montgomery County Municipal Utility District No. 88 ("MUD 88"), which includes a 1,056 gpm well, a 1,794 gpm well, one 100,400 gallon ground storage tank, one 333,600 gallon ground storage tank, three 15,000 gallon pressure tanks, and 5,150 gpm of booster pump capacity. The District owns 79.8% of the capacity in certain components in LR WP 2. Pursuant to the Water Facilities Contract dated October 7, 2004 and amendments thereto (the "Water Supply Agreement"), the District financed the entirety of the construction costs of the expansion of Legends Ranch Water Plant No. 2. The expansion included construction of a 1,794 gallon per minute water well, a 100,400 gallon ground storage tank, 1,350 gallons of booster pump capacity, and 15,000 gallons of hydropneumatic tank capacity (the "Expansion Facilities"). MUD 88 has reimbursed the District for 20.2% (MUD 88's applicable share) of the original cost, applicable interest, and any additional expenses related to the construction of the Expansion Facilities.

The District has a combined total water plant capacity capable of serving approximately 4,261 connections between SCUD WP1, SCUD WP2, LR WP1 and LR WP2. The District has an elevated storage tank waiver for both the North and South pressure planes which allows the District to serve more than 2,500 connections without requiring an elevated storage tank.

The District has two emergency interconnect agreements with Rayford Road Municipal Utility District and Southern Montgomery County Municipal Utility District through Rayford Road Municipal Utility District. The emergency interconnect is normally closed. The District has a second interconnect agreement with MUD 89, and the interconnect is normally left open as part of the shared water plant.

Lone Star Groundwater-Conservation District

The District is located within the boundaries of the Lone Star Groundwater Conservation District (the "Conservation District"), which was created by the Texas Legislature to conserve, protect and enhance the groundwater resources of Montgomery County. The Conservation District has adopted rules and a regulatory plan for the conservation, preservation, protection, recharge and prevention of waste of groundwater, groundwater reservoirs or their subdivisions and to control subsidence caused by the withdrawal of groundwater from those groundwater resources or their subdivisions. The Conservation District requires persons and entities, including the District, MCMUD 89 and Spring Creek UD that pump groundwater from wells to apply for and obtain permits for the withdrawal of groundwater under terms and conditions provided in the Conservation District's rules. The Conservation District had adopted its District Regulatory Plan, which calls for the reduction of groundwater withdrawal throughout Montgomery County to volumes that do not exceed the recharge capabilities of aquifers in the County to prevent the long-term depletion of the aquifers. The regulatory plan allows for the creation of management zones within the County to facilitate conservation of use of groundwater and development of other water resources from surface water or re-use of treated effluent.

Large water users, including the District, MCMUD 89 and Spring Creek UD, were required to prepare and submit a two-part Water Resources Assessment Plan (“WRAP”) that identifies methods and plans for reduction of groundwater usage through the development of alternate water resources, including the design and construction of infrastructure and facilities to purchase and transport water to affected areas within the County. The initial requirement and deadline for reduction of groundwater use by 30% became effective January 1, 2016.

The District, MCMUD 89 and Spring Creek UD participated in a joint WRAP prepared by the San Jacinto River Authority, and the District is in compliance with Conservation District requirements.

The Conservation District currently bills permit holders, including the District, MCMUD 89 and Spring Creek UD, \$0.085 per 1,000 gallons of water pumped from wells to finance the Conservation District’s operations. This amount is subject to future increases.

San Jacinto River Authority GRP Agreement

In response to the Conservation District requirements, the San Jacinto River Authority (“SJRA”) expressed a willingness to assume responsibility to construct and operate a surface water treatment plant at or near Lake Conroe and a water transmission system to major populated areas of Montgomery County, thus enabling the entire county to comply with the Conservation District requirements.

SJRA offered to enter into a contract for groundwater reduction planning, alternative water supply, and related goods and services (the “GRP Contract”) with all large water users in Montgomery County to achieve the goals for reduction of groundwater pumpage for the entire county. Approximately 130 larger volume water users in Montgomery County, including the District, MCMUD 89 and Spring Creek UD, approved and entered into the GRP Contract (collectively the “Participants”) and are in compliance with SJRA and Conservation District requirements applicable to groundwater pumpage from the MUD 89 well and Spring Creek UD well.

Pursuant to the GRP Contract, SJRA has developed, implemented and is enforcing a groundwater reduction plan (“GRP”) covering all Participants to achieve and maintain compliance with the Conservation District requirements. The initial focus of the GRP will be the design and construction of a surface water treatment and transmission system (the “Project”) to be owned and operated by SJRA for the benefit of all Participants.

The SJRA is designing, permitting, financing, constructs, owns, operates and maintains the Project, and the Project is being constructed in phases. Certain large volume Participants are being wholly-converted to treated surface water while other users may continue to use groundwater. This approach is expected to minimize overall Project cost, equalize costs for Participants and avoid geographic advantages and disadvantages.

All Participants are paying a monthly groundwater pumpage fee for groundwater pumped from wells, if any. The pumpage fee has been set so that Participants are neither benefitted nor penalized for utilizing groundwater, and allowances have been made for Participant costs of operating and maintaining their wells.

Participants that receive treated surface water from the Project are paying the prevailing rate for water, which rate has been set so the Participants are neither benefitted nor penalized for being required to take water from the Project under the GRP, and allowances have been made for Participant costs of operating on-site water facilities, as well as operating and maintaining their wells. The pumpage fees and water service fees received from the Project are comparable, so that all Participants are paying equivalent charges without preference for customers within or outside the areas converted to surface water.

SJRA issues bonds to finance the capital costs of the Project, and groundwater pumpage fees and water service fees are being used to cover costs of debt service on the bonds. The SJRA pumpage fees are currently \$2.73 per 1,000 gallons of water pumped from wells, and MCMUD 89 and Spring Creek UD are paying the pumpage fees based upon the amount of water pumped by each district each month. The District pays its share of groundwater pumpage and Conservation District fees indirectly through its Water Facilities Contract with MCMUD 89. The District, MCMUD 89 and Spring Creek UD pass these pumpage and Conservation District fees on to customers in the districts.

The District does not currently receive water from the Project and is not aware of any immediate plans to supply treated surface water to the District from the Project.

Wastewater Treatment

The District owns and operates a 1,500,000 gallon per day (“gpd”) permanent wastewater treatment plant with capacity to serve approximately 6,122 equivalent single-family connections. As of November 2020, the District is currently serving 4,079 equivalent single-family connections.

Storm Drainage Facilities

The natural drainage pattern of Spring Creek is generally split by Rayford Road. West of Rayford Road (the Fox Run, Spring Creek Pines and Forest Village neighborhoods), runoff is conveyed via a curb and gutter storm sewer system into a drainage channel maintained by Montgomery County Drainage District No. 6, which ultimately discharges into Spring Creek southwest of the District then into the San Jacinto River.

East of Rayford Road (all commercial development north of the Grand Parkway and the Legends Run neighborhood), runoff is conveyed via a curb and gutter storm sewer system into a regional detention pond shared with MCMUD 88 and MCMUD 89, see below). The regional detention pond is the start of Stokes Gully which ultimately discharges into the San Jacinto River.

On April 15, 2003, the District entered into a cost sharing agreement with MCMUD 89 and MCMUD 88 for the construction and financing of drainage and detention facilities, which include a regional detention pond and pump station. The regional detention pond and drainage facilities are owned by the District with each participant owning the beneficial right to the drainage capacity funded by it. The pump station facilities are allocated based on each district's prorata share of the ultimate acreage to be served by the detention facilities. While detention pond allocations will vary in accordance with the construction of additional capacity, pump station pro rata shares are as follows: the District (27.12%); MCMUD No. 89 (41.63%); and MCMUD No. 88 (31.25%).

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 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is 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 small portion of the previously developed and developable land (approximately 11 acres) within the District lies within the 100-year flood plain as designated by the Federal Emergency Management Administration map for the area, revised as of August 18, 2014. FEMA has issued a Letter of Map Amendment for these areas. Future development in the flood plain areas would be elevated and detention/mitigation structures would be installed. See "INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey."

Atlas 14

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based upon the Atlas 14 study, which is based upon 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.

FINANCIAL STATEMENT

2020 Certified Taxable Assessed Valuation.....	\$661,295,155 (a)
Estimated Taxable Assessed Valuation as of November 15, 2020	\$678,971,770 (b)
 Gross Direct Debt Outstanding	 \$63,615,000 (c)
 Ratios of Gross Direct Debt to:	
2020 Certified Taxable Assessed Valuation	9.62%
Estimated Taxable Assessed Valuation as of November 15, 2020	9.37%

Area of District — 1,059 acres
Estimated 2020 Population — 12,260 (d)

- (a) As certified by the Montgomery Central Appraisal District (the “Appraisal District”). See “TAXING PROCEDURES.”
- (b) The Estimated Taxable Assessed Value has been provided by the Appraisal District as of November 15, 2020. Increases in value from January 1, 2020 through November 15, 2020 will not be certified until the fall of 2020 as part of the 2021 taxable assessed valuation. No tax will be levied on such amount until it is certified by the Appraisal District. See “TAXING PROCEDURES.”
- (c) After the issuance of the Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) —Debt Service Requirements.”
- (d) Estimate based on 3.5 persons per occupied single-family connection.

Cash and Investment Balances (unaudited as of January 18, 2021)

Operating Fund	Cash and Temporary Investments	\$13,218,943	(a)
Construction Fund	Cash and Temporary Investments	\$838,441	(b)
Debt Service Fund	Cash and Temporary Investments	\$4,292,009	(c)

- (a) Includes approximately \$1,250,000 which will be used to pay for various District projects including lift station improvements, recreational facilities, pond rehabilitation, fire hydrant improvements and fence repairs.
- (b) The District intends to apply \$825,000 of such funds towards the Bonds.
- (c) Neither Texas law nor any Bond Order (including the Bond Order) requires the District to maintain any minimum balance in the Debt Service 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 will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation (“FDIC”) or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the District portfolio.

Outstanding Bonds (As of December 1, 2020)

Series	Original Principal Amount	Principal Amount Currently Outstanding
2013	\$ 9,650,000	\$ 8,850,000
2014 (b)	7,735,000	3,485,000
2015	9,375,000	8,375,000
2016 (b)	5,305,000	4,880,000
2017	8,325,000	7,025,000
2017A (b)	5,400,000	5,050,000
2018	9,500,000	9,100,000
2019 (b)	7,300,000	7,250,000
Total		\$ 54,015,000

- (a) Waterworks and sewer system combination unlimited tax and revenue bonds.
(b) Unlimited tax refunding bonds.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service on the Outstanding Bonds and the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2021	\$ 3,979,713	\$ 400,000	\$ 92,667	\$ 492,667	\$ 4,472,379
2022	3,927,363	400,000	135,000	535,000	4,462,363
2023	3,905,063	400,000	131,000	531,000	4,436,063
2024	3,895,313	400,000	127,000	527,000	4,422,313
2025	3,861,281	400,000	123,000	523,000	4,384,281
2026	3,823,294	400,000	119,000	519,000	4,342,294
2027	3,818,363	400,000	115,000	515,000	4,333,363
2028	3,769,644	400,000	111,000	511,000	4,280,644
2029	3,739,113	400,000	107,000	507,000	4,246,113
2030	3,721,119	400,000	103,000	503,000	4,224,119
2031	3,681,788	400,000	99,000	499,000	4,180,788
2032	3,672,588	400,000	94,000	494,000	4,166,588
2033	3,670,431	400,000	89,000	489,000	4,159,431
2034	3,705,750	400,000	83,000	483,000	4,188,750
2035	3,762,750	400,000	77,000	477,000	4,239,750
2036	3,757,531	400,000	71,000	471,000	4,228,531
2037	3,771,813	400,000	64,000	464,000	4,235,813
2038	3,780,000	400,000	56,000	456,000	4,236,000
2039	3,782,625	400,000	48,000	448,000	4,230,625
2040	1,460,250	400,000	40,000	440,000	1,900,250
2041	1,438,813	400,000	32,000	432,000	1,870,813
2042	1,016,500	400,000	24,000	424,000	1,440,500
2043	983,250	400,000	16,000	416,000	1,399,250
2044	-	400,000	8,000	408,000	408,000
Total	\$ 76,924,350	\$ 9,600,000	\$ 1,964,667	\$ 11,564,667	\$ 88,489,017

Average Annual Debt Service Requirements (2021-2044)\$3,687,042
Maximum Annual Debt Service Requirement (2021)..... \$4,472,379

ESTIMATED OVERLAPPING DEBT AND TAX RATE STATEMENTS

The following table indicates the outstanding debt payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Montgomery County.....	\$ 509,380,000	11/30/2020	1.07%	\$ 5,450,366
Conroe Independent School District.....	1,397,970,000	11/30/2020	1.61%	22,507,317
Lone Star College System.....	542,290,000	11/30/2020	0.30%	1,626,870
Total Estimated Overlapping Debt.....				\$ 29,584,553
The District.....	63,615,000 (a)	Current	100.00%	63,615,000
Total Direct and Estimated Overlapping Debt.....				\$ 93,199,553
Direct and Estimated Overlapping Debt as a Percentage of:				
2020 Taxable Assessed Valuation.....				14.09%
Estimated Taxable Assessed Valuation as of November 15, 2020.....				13.73%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes

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

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

	2020 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Montgomery County.....	\$ 0.4590
Montgomery County Hospital District.....	0.0588
Montgomery County ESD No. 8.....	0.1000
Conroe Independent School District.....	1.2125
Lone Star College System.....	<u>0.1078</u>
Total Overlapping Tax Rate.....	\$ 1.9381
The District.....	<u>\$ 0.9900</u>
Total Tax Rate.....	\$ 2.9281

TAX DATA

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District's Tax Assessor/Collector. See "Tax Roll Information" below.

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of November 30, 2020 (a)	
				Amount	Percent
2015	\$444,729,598	\$ 1.00	\$4,447,296	\$4,433,909	99.70%
2016	486,347,420	1.00	4,863,474	4,850,215	99.73%
2017	537,195,461	1.00	5,371,955	5,347,033	99.54%
2018	565,808,951	1.00	5,658,090	5,620,085	99.33%
2019	621,398,277	1.00	6,213,983	6,149,997	98.97%
2020	650,447,592	0.99	6,439,431	(b)	(b)

(a) Represents unaudited collections.

(b) In the process of collection. 2020 taxes are due January 31, 2021.

Historical Tax Rate Distribution

	2020	2019	2018	2017	2016
Debt Service	\$0.71	\$0.72	\$0.72	\$0.73	\$0.73
Maintenance and Operations	0.28	0.28	0.28	0.27	0.27
Total	\$0.99	\$1.00	\$1.00	\$1.00	\$1.00

Tax Rate Limitations

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

Maintenance and Operations: \$0.40 per \$100 of taxable assessed valuation.

Debt Service Tax

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

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by the District's voters. At an election held April 3, 1982, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$0.40 per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds, the Bonds, and any additional tax bonds which may be issued in the future. The District levied a maintenance tax for 2020 at the rate of \$0.28 per \$100 assessed valuation. See "Tax Rate Distribution" above.

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 2020, the District adopted an exemption of \$50,000 of the appraised value of a residential homestead of persons who are disabled or 65 years of age or older and 20% of the appraised value of any residential homestead.

Additional Penalties

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

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 “TAXING PROCEDURES—Valuation of Property for Taxation.” The following represents the composition of property comprising 2018 through 2020 certified tax rolls. A breakdown of the Estimated Taxable Assessed Valuation as of November 15, 2020 is not available. No tax will be levied on estimated values. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

	2020	2019	2018
Land	\$ 110,281,127	\$ 107,528,303	\$ 106,340,703
Improvements	639,573,471	596,926,144	540,261,523
Personal Property	34,772,911	34,468,054	31,378,346
Exemptions	<u>(123,332,354)</u>	<u>(116,701,226)</u>	<u>(111,940,771)</u>
Total	<u>\$ 661,295,155</u>	<u>\$ 622,221,275</u>	<u>\$ 566,039,801</u>

Principal Taxpayers

The following table represents the principal taxpayers, the taxable appraised valuation of such property, and such property’s taxable appraised valuation as a percentage of the 2020 Certified Taxable Assessed Valuation. This represents ownership as of January 1, 2020. A principal taxpayers list related to the Estimated Taxable Assessed Valuation as of November 15, 2020, of \$678,971,770 is not currently available.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2020 Certified Taxable Assessed Valuation</u>	<u>% of 2020 Certified Taxable Assessed Valuation</u>
Birnam Woods Crossing LLC	Land & Improvements	\$ 17,164,820	2.60%
Wal-Mart Real Estate Business Trust	Land & Improvements	16,205,380	2.45%
Kroger Texas LP	Land & Improvements	12,836,070	1.94%
CH Retail Fund II/Houston Rayford Crossing LP	Land & Improvements	8,899,540	1.35%
Wal-Mart Stores #3585	Personal	8,315,847	1.26%
Birnam Storage LP	Land & Improvements	8,000,000	1.21%
Regal Cinemas Inc.	Land & Improvements	7,018,220	1.06%
Kroger	Personal	5,846,692	0.88%
SH 7100-7111 LLC	Land & Improvements	4,623,000	0.70%
RN Biles Investments LLC	Land & Improvements	4,030,807	0.61%
Total		<u>\$ 92,940,376</u>	<u>14.05%</u>

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District’s tax base occurred beyond the 2020 Certified Taxable Assessed Valuation of \$661,295,155 and the Estimated Taxable Assessed Valuation as of November 15, 2020 of \$678,971,770. The calculations contained in the following table represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable assessed 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 “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”

Average Annual Debt Service Requirement (2021-2044)	\$3,687,042
\$0.59 Tax Rate on 2020 Certified Taxable Assessed Valuation.....	\$3,706,559
\$0.58 Tax Rate on Estimated Taxable Assessed Valuation as of November 15, 2020	\$3,741,134
Maximum Annual Debt Service Requirement (2021).....	\$4,472,379
\$0.72 Tax Rate on 2020 Certified Taxable Assessed Valuation.....	\$4,523,259
\$0.70 Tax Rate on Estimated Taxable Assessed Valuation as of November 15, 2020	\$4,515,162

No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of November 15, 2020 for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Montgomery Central Appraisal District (the “Appraisal District”) has the responsibility for appraising property for all taxing units within Montgomery County, including the District. Such appraisal values are subject to review and change by the Montgomery Central Appraisal Review Board (the “Appraisal Review Board”).

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. For the 2020 tax year, the District has adopted a residential homestead exemption in the amount of \$50,000 for persons age 65 and older and disabled persons. Additionally, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating

of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence was donated by a charitable organization. Effective January 1, 2018, the exemption will apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is, 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. Effective January 1, 2018, the surviving spouse of a first responder who is killed or fatally injured in the line of duty 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. See "TAX DATA."

Residential Homestead Exemptions: The Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1. For 2020, the District has granted a general homestead exemption of 20% of the appraised value of residential homesteads. See "TAX DATA."

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

Tax Abatement

Montgomery County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, Montgomery County, the City and the District, under certain circumstances, 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 appraised valuation of property covered by the agreement over its appraised 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 agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

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

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land and timberland.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of

the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items specified in the Texas Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "ESTIMATED OVERLAPPING DEBT AND TAX RATES 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; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes". In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. See "INVESTMENT CONSIDERATIONS—General" and "—Tax Collections Limitations."

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WATER AND SEWER OPERATIONS

General

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

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for fiscal years April 30, 2017 through 2020 and an unaudited summary for the period ending November 30, 2020 provided by the District's bookkeeper. Reference is made to such statements and records for further and more complete information.

	Fiscal Year Ended April 30				
	5/1/2020 to				
	11/30/2020 (a)	2020	2019	2018	2017
Revenues					
Property Taxes	\$ 25,337	\$ 1,730,320	\$ 1,584,905	\$ 1,443,661	\$ 1,323,345
Water Service	911,220	1,168,645	905,619	912,620	1,085,817
Sewer Service	972,405	1,613,649	1,497,074	1,483,775	1,446,580
Surface Water Fees	592,412	929,918	879,320	851,162	837,385
Sales and Use Taxes	270,196	425,225	377,397	521,021	-
Penalty and Interest	3,376	67,945	57,006	77,196	74,038
Tap Connection and Inspection Fees	135,475	816,385	185,578	455,635	938,850
Interest on Deposits and Investments	36,712	205,748	174,383	50,228	28,369
Other	17,748	198,436	178,176	143,583	175,141
Total Revenues	\$ 2,964,881	\$ 7,156,271	\$ 5,839,458	\$ 5,938,881	\$ 5,909,525
Expenditures					
Purchased Services	\$ 119,500	\$ 134,199	\$ 122,561	\$ 213,267	\$ 203,768
Professional Fees	131,183	249,988	291,266	265,869	279,711
Contracted Services	159,003	335,677	315,907	271,911	281,038
Utilities	109,150	200,119	168,799	182,308	176,933
Surface Water Pumpage Fees	656,443	904,394	822,936	723,292	790,224
Repairs and Maintenance	534,994	919,649	802,712	775,912	805,346
Other	165,520	203,245	140,472	141,326	226,799
Security Service	307,105	526,151	336,722	274,895	232,601
Garbage Disposal	411,471	675,462	633,818	617,215	601,896
Administrative Expenses	137,442	255,382	289,022	259,749	192,939
Debt Service: Principal Retirement	-	135,733	134,334	-	-
Debt Service: Interests and Fees	-	42,143	43,543	-	-
Capital Outlay	638,164	424,950	2,439,706 (b)	881,973	962,172
Total Expenditures	\$ 3,369,975	\$ 5,007,092	\$ 6,541,798	\$ 4,607,717	\$ 4,753,427
Net Revenues	\$ (405,093)	\$ 2,149,179	\$ (702,340)	\$ 1,331,164	\$ 1,156,098
Other Sources (Interfund Transfer)	\$ -	\$ 659,033	\$ 1,516,077	\$ (700,908)	\$ 883,074
Fund Balance (Beginning of Year)	\$ 12,617,685	\$ 9,809,473	\$ 8,995,736	\$ 8,365,480	\$ 6,326,308
Fund Balance (End of Year)	\$ 12,212,592	\$ 12,617,685	\$ 9,809,473	\$ 8,995,736	\$ 8,365,480

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

(b) Includes expenditures related to development of commercial tracts within the District, force main water line relocation, sanitary sewer and force main rehabilitation, Fox Run pond desilting and Smart meters.

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City, Montgomery County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies and Bankruptcy Limitations" below.

Infectious Disease Outlook (COVID-19)

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

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

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

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values and homebuilding activity 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 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 partially 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.

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 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 or homebuilding activity 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 share of operations and maintenance expenses payable from ad valorem taxes.

Recent Extreme Weather Events; Hurricane Harvey

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

According to the District's operator, the District's System sustained no material damage and there was no interruption of District water and sewer service as a result of Hurricane Harvey. According to the District's Operator and Engineer, approximately 200 homes (approximately 6%) within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

Specific Flood Type Risks

River (or Fluvial) Flood: 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 sheetflow overland. 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 floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee or dam has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam or levee also could potentially create a flooding condition in rivers or man-made drainage systems (canals or channels) downstream.

Ponding (or Pluvial) Flood: occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can over capacitate a drainage system which becomes trapped and flows out into streets and nearby structures until it reaches a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam or levee.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, of developed lots which are currently being marketed by the developers for sale to homebuilders for the construction of primary residences, and commercial and retail property. 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 residences. 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. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

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, particularly liquidity in the national credit markets, 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 national credit and financial markets. A downturn in the economic conditions of Houston and the nation could adversely affect development and home-building plans in the District and restrain the growth of or reduce the District's property tax base.

Landowner Obligation to the District

There are no commitments from or obligations of the Developers, or any landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land or developed lots would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds, the District will increase or maintain its taxable value.

Future Debt

The District has reserved in the Bond Order the right to issue obligations other than the Bonds and the Outstanding Bonds, including tax anticipation notes, bond anticipation notes, and to borrow for any valid corporate purpose. Additionally, the District's voters have authorized the issuance of \$27,000,000 principal amount of waterworks and sewer system combination unlimited tax and revenue bonds and \$190,000,000 principal amount of unlimited tax bonds for purposes of acquiring and constructing the water, sanitary sewer and drainage facilities to serve land within the District. The District's voters could authorize additional amounts in future elections. After issuance of the Bonds, the District will have \$133,060,000 principal amount of authorized but unissued unlimited tax bonds for purposes of acquiring and constructing water, sanitary sewer and drainage facilities, and \$5,155,000 principal amount of authorized but unissued waterworks and sewer system combination unlimited tax and revenue bonds for purposes of acquiring and constructing water, sanitary sewer and drainage facilities. Additionally, voters within the District have authorized the issuance of \$144,000,000 principal amount in unlimited tax bonds for the purpose of refunding bonds of the District and currently has \$139,800,692 principal amount of authorized but unissued. The future issuance of additional obligations may adversely affect the security for the Bonds and the investment quality and value of the Bonds. The District does not employ any formula with respect to assessed valuation or tax collections and does not otherwise limit the amount of additional bonds or other obligations which may be issued. The issuance of additional unlimited tax or unlimited tax and revenue bonds (other than refunding bonds), if any, however, is subject to approval by the TCEQ under guidelines of feasibility established by the TCEQ.

As of December 1, 2020, approximately \$2,115,000 has been expended by various developers of commercial tracts within the District for construction of water, sanitary sewer and drainage facilities to serve such commercial tracts. It is anticipated that additional bonds will be issued to reimburse such developers for the costs of the construction of these facilities and to serve the remaining undeveloped acreage within the District. See "THE BONDS—Authority for Issuance and Issuance of Additional Debt" and "THE DISTRICT—General."

Tax Collections Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "ESTIMATED OVERLAPPING DEBT AND TAX RATE STATEMENTS—Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed 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.

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 is (1) 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.

A district may not be forced into bankruptcy involuntarily.

Environmental Regulation

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston-Brazoria area (“HGB Area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements. While the EPA has revoked the 1997 Ozone Standards, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area “anti-backsliding” requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ’s “redesignation substitute” for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the *South Coast* court’s ruling, the TCEQ developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners adopted the request and maintenance plan for the 1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

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

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

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

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

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

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

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

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

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

Marketability of the Bonds

The District has no agreement with the Initial Purchaser 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.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Initial Purchaser has entered into an agreement with Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P and “A2” (stable outlook) by Moody’s. See “MUNICIPAL BOND INSURANCE.”

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

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

Neither the District nor the Initial Purchaser 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 RATING” and “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.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See “TAX MATTERS.”

Changes in Tax Legislation

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

LEGAL MATTERS

Legal Proceedings

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

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under “THE BONDS,” “THE DISTRICT—General,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor have such firms conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firms’ limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Roach & Associates, PLLC, 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 Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Preliminary Official Statement.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

In the opinion of Roach & Associates, PLLC, Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals.

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

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

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

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

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

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

Federal Income Tax Accounting Treatment of Original Discount Bonds

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") is less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Initial Purchaser has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

Not Qualified Tax-Exempt Obligations for Financial Institutions

The District has **NOT** designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986.

MUNICIPAL BOND RATING

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

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

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

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

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Capitalization of AGM

At September 30, 2020:

- The policyholders' surplus of AGM was approximately \$2,671 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,042 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,111 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc ("AGE UK") and Assured Guaranty (Europe) SA ("AGE SA"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 (filed by AGL with the SEC on August 7, 2020).
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020 (filed by AGL with the SEC on November 6, 2020).

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

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

Miscellaneous Matters

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

SALE AND DISTRIBUTION OF THE BONDS

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") bearing the interest rates shown on the cover page of this Official Statement, at a price of 99.2274% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 1.745578% as calculated pursuant to Chapter 1204, Texas Government Code (the "IBA" method).

The prices and other terms with respect to the offering and the sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allocate 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 municipal utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, which are more generally bought, sold or traded in the secondary market.

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 Developers, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District 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, 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 DISTRICT" – A & S Engineers Inc. ("Engineer"), and Records of the District ("Records"); "THE DEVELOPERS AND PRINCIPAL PROPERTY OWNERS" – PR42, Birnham Woods and Woodmere; "THE SYSTEM"- Engineer; "FINANCIAL STATEMENT" - Montgomery Central Appraisal District and Utility Tax Service, LLC, Tax Assessor/Collector; "ESTIMATED OVERLAPPING DEBT STATEMENT AND TAX RATES" - Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" - Utility Tax Service, LLC; "MANAGEMENT" - District Directors; "DEBT SERVICE REQUIREMENTS" - Financial Advisor; "THE BONDS," "TAX PROCEDURES," "LEGAL MATTERS" and "TAX MATTERS" - Roach & Associates, PLLC.

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

Consultants

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants.

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

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

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled “THE DISTRICT” and “THE SYSTEM” has been provided by A&S Engineers, Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The financial statements of the District as of April 30, 2020, and for the year then ended, included in this offering document, have been audited by Mark C. Eyring, CPA, PLLC, independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District's April 30, 2020, financial statements.

Bookkeeper: The information related to the “unaudited” summary of the District's General 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 the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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 certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "FINANCIAL STATEMENT," "TAX DATA," "THE SYSTEM," "DEBT SERVICE REQUIREMENTS," "WATER AND SEWER OPERATIONS" (most of which information is contained in the District's annual audit report) and in APPENDIX A. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2021. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if 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 within such six month period, 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 April 30. Accordingly, it must provide updated information by October 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. 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, operational 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. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access internet portal at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with its continuing disclosure agreements made in accordance with SEC Rule 15c2-12, except that the District filed its audited financial statements for the 2020 fiscal year on November 2, 2020, which was after the October 31, 2020 deadline. The District has filed a notice of late filing.

MISCELLANEOUS

All estimates, statements and assumptions in this OFFICIAL STATEMENT and APPENDIX A 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.

/s/ Claude Humbert
President, Board of Directors

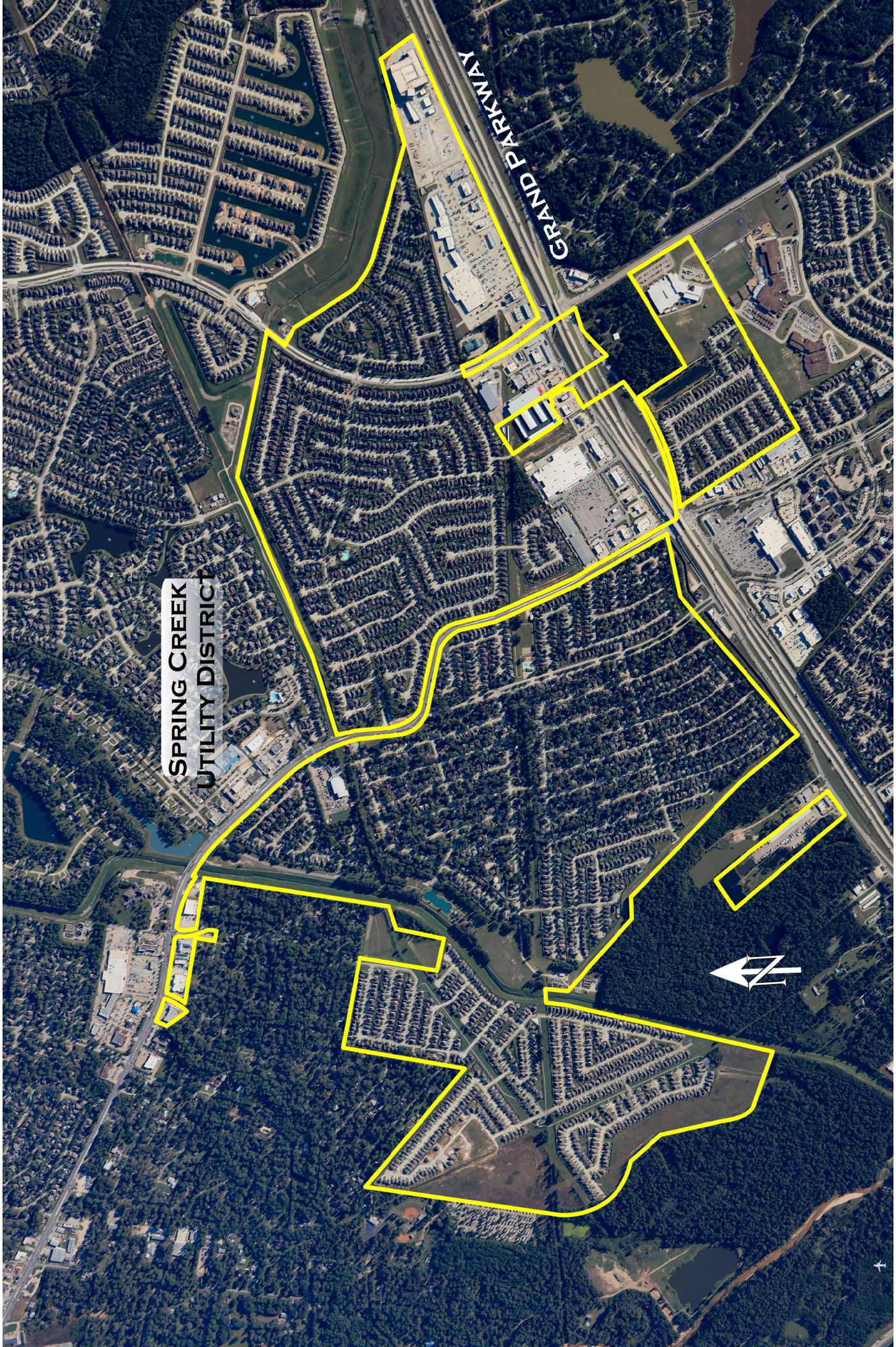
ATTEST:

/s/ Fred Sunderman
Secretary, Board of Directors

AERIAL LOCATION MAP
(Approximate boundary as of November 2020)

**SPRING CREEK
UTILITY DISTRICT**

GRAND PARKWAY



PHOTOGRAPHS OF THE DISTRICT
(Taken November 2020)

















APPENDIX A

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

SPRING CREEK UTILITY DISTRICT
MONTGOMERY COUNTY, TEXAS
ANNUAL AUDIT REPORT
APRIL 30, 2020

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August 17, 2020

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Spring Creek
Utility District
Montgomery County, Texas

I have audited the accompanying financial statements of the governmental activities and each fund of Spring Creek Utility District, as of and for the year ended April 30, 2020, 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 Spring Creek Utility District as of April 30, 2020, 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, Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 25 and the Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, Special Revenue Fund, on Page 26 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 27 to 52 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.

A handwritten signature in dark ink, appearing to read "M. G. J.", is located at the bottom right of the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Spring Creek Utility District (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 April 30, 2020.

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 and garbage collection, 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. The financial objective for the Special Revenue Fund is to insure that the expenditures in the funds are billed to the participants in accordance with the contract. 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

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Current and other assets	\$ 22,840,717	\$ 19,398,481	\$ 3,442,236
Capital assets	<u>60,542,502</u>	<u>60,878,430</u>	<u>(335,928)</u>
Total assets	<u>83,383,219</u>	<u>80,276,911</u>	<u>3,106,308</u>
Long-term liabilities	60,522,540	61,209,815	(687,275)
Other liabilities	<u>4,137,144</u>	<u>3,272,487</u>	<u>864,657</u>
Total liabilities	<u>64,659,684</u>	<u>64,482,302</u>	<u>177,382</u>
Net position:			
Invested in capital assets, net of related debt	(2,171,545)	(2,408,800)	237,255
Restricted	8,202,200	8,329,647	(127,447)
Unrestricted	<u>12,692,880</u>	<u>9,873,762</u>	<u>2,819,118</u>
Total net position	<u>\$ 18,723,535</u>	<u>\$ 15,794,609</u>	<u>\$ 2,928,926</u>

Summary of Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 6,278,330	\$ 5,725,468	\$ 552,862
Charges for services	5,368,307	4,204,073	1,164,234
Other revenues	<u>329,340</u>	<u>321,135</u>	<u>8,205</u>
Total revenues	<u>11,975,977</u>	<u>10,250,676</u>	<u>1,725,301</u>
Expenses:			
Service operations	6,764,553	6,147,799	616,754
Debt service	<u>2,282,498</u>	<u>2,708,322</u>	<u>(425,824)</u>
Total expenses	<u>9,047,051</u>	<u>8,856,121</u>	<u>190,930</u>
Excess revenues (expenditures)	2,928,926	1,394,555	1,534,371
Special Items:			
Sale of capacity	<u>0</u>	<u>33,612</u>	<u>(33,612)</u>
Change in net position	2,928,926	1,428,167	1,500,759
Net position, beginning of year	<u>15,794,609</u>	<u>14,366,442</u>	<u>1,428,167</u>
Net position, end of year	<u>\$ 18,723,535</u>	<u>\$ 15,794,609</u>	<u>\$ 2,928,926</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended April 30, 2020, were \$20,779,404, an increase of \$2,626,761 from the prior year.

The General Fund balance increased by \$2,808,212, in accordance with the District's financial plan.

The Special Revenue Fund balance did not change.

The Debt Service Fund balance increased by \$479,904, in accordance with the District's financial plan.

The Capital Projects Fund balance decreased by \$661,355, as authorized expenditures and the reimbursement of \$659,033 to the General Fund exceeded interest earnings on deposits and investments.

General Fund Budgetary Highlights

The Board of Directors amended the budget during the fiscal year. The original budget adopted by the Board of Directors anticipated an increase in the fund balance during the year of \$604,808. During the fiscal year, the Board of Directors adopted an amended budget which anticipated an increase in the fund balance during the year of \$693,266. The changes from the original budget to the final budget were due to anticipated increases in repairs and maintenance and other operating expenses and a decrease in security service expenditures.

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 25 of this report. The budgetary fund balance as of April 30, 2020, was expected to be \$10,502,739 and the actual end of year fund balance was \$12,617,685.

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:

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Land and easements	\$ 1,579,676	\$ 1,579,676	\$ 0
Drainage ditches/Detention ponds/Park improvements	5,298,644	5,298,644	0
Park improvements	425,076	382,228	42,848
Construction in progress	6,439,955	5,121,355	1,318,600
Water facilities	11,161,735	11,675,761	(514,026)
Sewer facilities	20,453,314	21,253,985	(800,671)
Drainage facilities	15,184,102	15,566,781	(382,679)
Totals	<u>\$ 60,542,502</u>	<u>\$ 60,878,430</u>	<u>\$ (335,928)</u>

Changes to capital assets during the fiscal year ended April 30, 2020, are summarized as follows:

Additions:		
Joint facilities improvements		\$ 3,406
Drainage system improvements		46,800
Park improvements		62,460
Underground facilities constructed by developers		<u>1,315,194</u>
Total additions to capital assets		1,427,860
Decreases:		
Depreciation		<u>(1,763,788)</u>
Net change to capital assets		<u>\$ (335,928)</u>

Debt

Changes in the bonded debt position of the District during the fiscal year ended April 30, 2020, are summarized as follows:

Bonded debt payable, beginning of year	\$ 57,980,000
Refunding bonds sold	7,300,000
Bonds paid	<u>(9,110,000)</u>
Bonded debt payable, end of year	<u>\$ 56,170,000</u>

At April 30, 2020, the District had \$7,815,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

On July 25, 2019, the District issued \$7,300,000 in unlimited tax refunding bonds to advance refund \$7,050,000 of outstanding Series 2010 bonds. The net proceeds of \$7,185,041 (after payment of \$265,878 in underwriting fees, insurance and other issuance costs including the District's contribution of \$109,893) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to call and retire the refunded Series 2010 bonds on October 1, 2019. As a result, these 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 \$941,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$740,000.

The District's bonds have an underlying rating of BBB+ and A2 from Standard & Poor's and Moody's, respectively. The Series 2009, 2010, 2015, 2017A and 2019 bonds are insured by Assured Guaranty Municipal Corp. and the Series 2013, 2014, 2016, 2017 and 2018 bonds are insured by Build America Mutual Company. The Series 2009, 2010, 2013, 2014, 2015, 2016, 2017, 2017A, 2018 and 2019 bonds are rated AA by Standard & Poor's. The Series 2015, 2017A, 2018 and 2019 bonds are also rated A2 by Moody's. There were no changes in the bond ratings during the fiscal year ended April 30, 2020.

As further described in Note 5 of the notes to the financial statements, developers within the District are currently constructing certain underground facilities within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The District's engineer stated that cost of the construction in progress at April 30, 2020, was \$5,571,039.

As further described in Note 11 of the notes to the financial statements, on September 27, 2017, the District entered into an Lease - Purchase Agreement to replace and improve the water meters throughout the District. At April 30, 2020, the unpaid principal amount of this agreement was \$1,246,010.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$56,460,000 for the 2019 tax year (approximately 10%) due to the addition of new commercial property and related personal property within the District and the increase in the average assessed valuations on existing properties.

Relationship to the City of Houston

Utilizing a provision of Texas law, the City of Houston ("City") and the District entered into a Strategic Partnership Agreement ("SPA") effective as of December 19, 2011 (as Amended and Restated effective November 22, 2013). The SPA provides for the limited purpose annexation of certain developed commercial tracts within the District into the City for the limited purpose of imposition of the City's Sales and Use Tax. No City services are provided. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City. Additional properties may become subject to the SPA by amending the SPA upon the consent of the City and the District. The City pays the District an amount equal to 50 percent of all Sales and Use Tax revenues generated from the properties subject to the SPA. The term of the SPA is 30 years. During the term of the SPA, the City has agreed not to annex all or part of the District for full purposes or commence any action to annex all or part of the District for full purposes.

Water Supply Issues

The District is within the boundaries of the Lone Star Groundwater Conservation District ("LSGCD"). The LSGCD was created by the Legislature of the State of Texas in Acts 2001, 77th Legislature, Regular Session. The LSGCD is a political subdivision of the State of Texas, governed by an elected seven member board of directors. The purpose of the LSGCD is to provide for the conservation, preservation, protection, recharging, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by the withdrawal of water from those groundwater reservoirs or their subdivisions, consistent with the objectives of Section 59, Article XVI, Texas Constitution. Rule 9.1 of the rules of the LSGCD authorizes the board of directors of the LSGCD to establish by resolution a regulatory water use fee to accomplish the purposes of the LSGCD. In accordance with this rule, as of April 30, 2020, the LSGCD had established a regulatory water use fee of \$0.085 per 1,000 gallons of water pumped from each regulated well.

The San Jacinto River Authority (SJRA) is a conservation and reclamation district, body politic and corporate and a governmental agency of the State of Texas created and operating under the provisions of a series of acts compiled as Vernon's Annotated Texas Civil Statutes, Article 8280-121, enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution, whose area comprises all of the territory within the watershed of the San Jacinto River and its tributaries, except that portion of the watershed lying within the boundaries of Harris County. Such area consists of all of Montgomery County and parts of Waller, Grimes, Walker, San Jacinto, Liberty, and Fort Bend counties.

The LSGCD established a regulatory target in its District Regulatory Plan (DRP) Phase I to reduce groundwater withdrawals from the aquifer in Montgomery County to 64,000 acre-feet per year by January 2015. The LSGCD District Regulatory Plan (DRP) Phase II (A) required large volume groundwater users (LVGU) to submit a Water Resource Assessment Plan (WRAP), which included identification of new water supply sources to meet projected water demands by March of 2009. SJRA prepared and submitted a joint plan on behalf of 201 large volume groundwater users to reduce groundwater withdrawal and encourage the conjunctive use of surface water with ground water supplies to meet the LSGCD regulations. In November 2009, the LSGCD adopted final regulations that require certain groundwater users to prepare and submit a Groundwater Reduction Plan by April 1, 2010, outlining how the user intends to meet a 2016 deadline for conversion to surface water supplies. The SJRA responded to this regulatory requirement with the development of a long-term countywide approach that will provide a compliance solution for all users in the county who choose to join. Any large volume groundwater user in the county may join the SJRA's Joint Groundwater Reduction Plan (GRP) by executing a GRP Contract and paying the required monthly GRP Pumpage Fee. The District has executed a GRP Contract with the SJRA. The GRP Pumpage Fee as of April 30, 2020 is \$2.73 per thousand gallons of groundwater pumped by the participating entity and is billed monthly. It is anticipated that this fee will increase each year as costs are incurred for design and construction of the necessary infrastructure to deliver surface water.

The District cannot predict the amount or level of fees and charges which may be due the Authorities for future years, but anticipates that it will pass such fees through to its customers. In addition, conversion to surface water will necessitate improvements to the District's water supply system, which could require issuance of additional bonds.

SPRING CREEK UTILITY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

APRIL 30, 2020

	General	Special Revenue Fund	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS							
Cash, including interest-bearing accounts, Note 7	\$ 6,044,600	\$ 46,707	\$ 1,359,514	\$ 670,924	\$ 8,121,745	\$	\$ 8,121,745
Certificates of deposit, at cost, Note 7	736,056		966,903		1,702,959		1,702,959
Temporary investments, at cost, Note 7	7,145,655		4,916,714	178,587	12,240,956		12,240,956
Receivables:							
Property taxes	75,195		195,729		270,924		270,924
Accrued penalty and interest on property taxes					0	60,163	60,163
Service accounts	308,745				308,745		308,745
Other participants in joint venture, Note 9		24,647			24,647		24,647
Accrued interest	11,290		17,523		28,813		28,813
Other	39,965				39,965		39,965
Maintenance taxes collected not yet transferred from other fund	1,820				1,820	(1,820)	0
Due from other fund		5,216			5,216	(5,216)	0
Operating reserve at joint ventures, Note 9	59,860				59,860	(18,060)	41,800
Capital assets, net of accumulated depreciation, Note 4:							
Capital assets not being depreciated					0	13,318,275	13,318,275
Depreciable capital assets					0	47,224,227	47,224,227
Total assets	<u>\$14,423,186</u>	<u>\$ 76,570</u>	<u>\$7,456,383</u>	<u>\$ 849,511</u>	<u>\$ 22,805,650</u>	<u>60,577,569</u>	<u>83,383,219</u>
LIABILITIES							
Accounts payable	\$ 357,045	\$ 16,570	\$ 5,579	\$ 1,047	\$ 380,241		380,241
Accrued interest payable					0	155,411	155,411
Customer and builder deposits	827,486				827,486		827,486
Landowner construction advances	540,559				540,559		540,559
Maintenance taxes collected not yet transferred to other fund			1,820		1,820	(1,820)	0
Due to other funds	5,216				5,216	(5,216)	0
Other district equity in joint stormwater facilities					0	41,940	41,940
Long-term liabilities, Note 5:							
Due within one year					0	2,191,507	2,191,507
Due in more than one year					0	60,522,540	60,522,540
Total liabilities	<u>1,730,306</u>	<u>16,570</u>	<u>7,399</u>	<u>1,047</u>	<u>1,755,322</u>	<u>62,904,362</u>	<u>64,659,684</u>
DEFERRED INFLOWS OF RESOURCES							
Property tax revenues	<u>75,195</u>	<u>0</u>	<u>195,729</u>	<u>0</u>	<u>270,924</u>	<u>(270,924)</u>	<u>0</u>
FUND BALANCES / NET POSITION							
Fund balances:							
Nonspendable:							
Operating reserve at joint ventures, Note 9	59,860	60,000			119,860	(119,860)	0
Assigned to:							
Debt service			7,253,255		7,253,255	(7,253,255)	0
Capital projects				848,464	848,464	(848,464)	0
Unassigned	<u>12,557,825</u>				<u>12,557,825</u>	<u>(12,557,825)</u>	<u>0</u>
Total fund balances	<u>12,617,685</u>	<u>60,000</u>	<u>7,253,255</u>	<u>848,464</u>	<u>20,779,404</u>	<u>(20,779,404)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$14,423,186</u>	<u>\$ 76,570</u>	<u>\$7,456,383</u>	<u>\$ 849,511</u>	<u>\$ 22,805,650</u>		
Net position:							
Invested in capital assets, net of related debt, Note 4						(2,171,545)	(2,171,545)
Restricted for debt service						7,353,736	7,353,736
Restricted for capital projects						848,464	848,464
Unrestricted						<u>12,692,880</u>	<u>12,692,880</u>
Total net position						<u>\$ 18,723,535</u>	<u>\$ 18,723,535</u>

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

SPRING CREEK UTILITY DISTRICT

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

FOR THE YEAR ENDED APRIL 30, 2020

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES							
Property taxes	\$ 1,730,320		\$ 4,450,139		\$ 6,180,459	\$ 37,985	\$ 6,218,444
Water service	1,168,645				1,168,645		1,168,645
Sewer service	1,613,649				1,613,649		1,613,649
Surface water fees, Note 10	929,918				929,918		929,918
Sales and Use Taxes, Note 12	425,225				425,225		425,225
From participants in joint venture, Note 9		226,662			226,662	(78,558)	148,104
Penalty and interest	67,945		47,003		114,948	12,883	127,831
Tap connection and sewer inspection fees	816,385				816,385		816,385
Interest on deposits and investments	205,748	99	107,626	15,867	329,340		329,340
Accrued interest on bonds received at date of sale			13,374		13,374	(13,374)	0
Other revenues	198,436				198,436		198,436
Total revenues	7,156,271	226,761	4,618,142	15,867	12,017,041	(41,064)	11,975,977
EXPENDITURES / EXPENSES							
Service operations:							
Purchased services, Note 9	134,199				134,199	(66,606)	67,593
Professional fees	249,988	20,207	13,635	18,189	302,019		302,019
Contracted services	335,677	13,615	88,848		438,140		438,140
Utilities	200,119	45,667			245,786		245,786
Surface water pumpage fees, Note 10	904,394				904,394		904,394
Repairs and maintenance	919,649	131,537			1,051,186		1,051,186
Other operating expenditures	203,245				203,245		203,245
Security service	526,151				526,151		526,151
Garbage disposal	675,462				675,462		675,462
Administrative expenditures	255,382	3,783	15,340		274,505		274,505
Depreciation					0	1,763,788	1,763,788
Capital outlay / non-capital outlay	424,950	11,952			436,902	(124,618)	312,284
Debt service:							
Principal retirement	135,733		2,060,000		2,195,733	(2,195,733)	0
Refunding contribution/bond issuance			109,893		109,893	155,985	265,878
Interest and fees	42,143		1,850,522		1,892,665	123,955	2,016,620
Total expenditures / expenses	5,007,092	226,761	4,138,238	18,189	9,390,280	(343,229)	9,047,051
Excess (deficiency) of revenues over expenditures	2,149,179	0	479,904	(2,322)	2,626,761	302,165	2,928,926
OTHER FINANCING SOURCES (USES)							
Refunding bonds issued, Note 5			7,300,000		7,300,000	(7,300,000)	0
Bond issuance premiums, Note 5			41,026		41,026	(41,026)	0
Payment to refunding escrow agent, Note 5			(7,185,041)		(7,185,041)	7,185,041	0
Refunding bond issuance expenditures, Note 5			(155,985)		(155,985)	155,985	0
Reimbursement to (from) other fund	659,033			(659,033)	0	0	0
Total other financing sources (uses)	659,033	0	0	(659,033)	0	0	0
Net change in fund balances / net position	2,808,212	0	479,904	(661,355)	2,626,761	302,165	2,928,926
Beginning of year	9,809,473	60,000	6,773,351	1,509,819	18,152,643	(2,358,034)	15,794,609
End of year	<u>\$ 12,617,685</u>	<u>\$ 60,000</u>	<u>\$ 7,253,255</u>	<u>\$ 848,464</u>	<u>\$ 20,779,404</u>	<u>\$ (2,055,869)</u>	<u>\$ 18,723,535</u>

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

SPRING CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2020

NOTE 1: REPORTING ENTITY

Spring Creek Utility District (the "District") was created by Acts of the 62nd Legislature of the State of Texas, Regular Session, 1971, 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 March 13, 1972, and the first bonds were sold on May 22, 1975. 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 and maintain recreational facilities. 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 the manager of the Legends Ranch Central Drainage Facilities (the "Facilities"). Oversight of the Facilities is exercised by the Board of Directors of the District and financial activity of the Facilities has been included as a component unit in the financial statements of the District. The Facilities's General Fund has been reported as the Special Revenue Fund of the District. Transactions with this joint venture are described in Note 9.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 are 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.

Special Revenue Fund -- To account for all revenues and expenditures of the general operations of the Spring Creek Utility District Stormwater Facilities.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Buildings and improvements	40 years
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		\$ 20,779,404
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds :		
Total capital assets, net		60,542,502
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	\$ (56,170,000)	
Deferred charge on refunding (to be amortized as interest expense)	733,807	
Issuance premium net of discount (to be amortized as interest expense)	(403,151)	
Accreted interest payable	(57,654)	
Lease-purchase agreement payable	(1,246,010)	
Due to developer	<u>(5,571,039)</u>	(62,714,047)
The assets in the Special Revenue Fund are owned by the District and other participants in the joint venture:		
The District's equity	(18,060)	
Other participants' equity	<u>(41,940)</u>	(60,000)
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	60,163	
Uncollected property taxes	<u>270,924</u>	331,087
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(155,411)</u>
Net position, end of year		<u>\$ 18,723,535</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Total net change in fund balances		\$ 2,626,761
<p>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:</p>		
Capital outlay	\$ 112,666	
Depreciation	<u>(1,763,788)</u>	(1,651,122)
<p>The issuance of long-term debt (bonds payable) 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:</p>		
Bonds issued	(7,300,000)	
Payment to escrow agent for refunding	7,185,041	
Principal reduction, bonds and lease	<u>2,195,733</u>	2,080,774
<p>The funds report the effect of bond issuance costs, 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:</p>		
Refunding charges	(79,241)	
Issuance discount, net of amortization	<u>(98,002)</u>	(177,243)
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Accrued penalty and interest on property taxes receivable	12,883	
Uncollected property taxes	<u>37,985</u>	50,868
<p>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:</p>		
Accreted interest	(15,154)	
Accrued interest	<u>14,042</u>	<u>(1,112)</u>
Change in net position		<u>\$ 2,928,926</u>

NOTE 4: CAPITAL ASSETS

At April 30, 2020, "Invested in capital assets, net of related debt" was \$(2,171,545). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. 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 April 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and easements	\$ 1,579,676	\$	\$	\$ 1,579,676
Drainage ditches/Ponds/Park improvements	5,298,644			5,298,644
Construction in progress	<u>5,121,355</u>	<u>1,318,600</u>		<u>6,439,955</u>
Total capital assets not being depreciated	<u>11,999,675</u>	<u>1,318,600</u>	<u>0</u>	<u>13,318,275</u>
Depreciable capital assets:				
Park improvements	628,902	62,460		691,362
Water system	15,291,326			15,291,326
Sewer system	26,633,698			26,633,698
Drainage system	<u>19,022,200</u>	<u>46,800</u>		<u>19,069,000</u>
Total depreciable capital assets	<u>61,576,126</u>	<u>109,260</u>	<u>0</u>	<u>61,685,386</u>
Less accumulated depreciation for:				
Park improvements	(246,674)	(19,612)		(266,286)
Water system	(3,615,565)	(514,026)		(4,129,591)
Sewer system	(5,379,713)	(800,671)		(6,180,384)
Drainage system	<u>(3,455,419)</u>	<u>(429,479)</u>		<u>(3,884,898)</u>
Total accumulated depreciation	<u>(12,697,371)</u>	<u>(1,763,788)</u>	<u>0</u>	<u>(14,461,159)</u>
Total depreciable capital assets, net	<u>48,878,755</u>	<u>(1,654,528)</u>	<u>0</u>	<u>47,224,227</u>
Total capital assets, net	<u>\$ 60,878,430</u>	<u>\$ (335,928)</u>	<u>\$ 0</u>	<u>\$ 60,542,502</u>
Changes to capital assets:				
Capital outlay		\$ 112,666	\$	
Increase in liability to developers for construction		1,315,194		
Less depreciation expense for the fiscal year		<u>(1,763,788)</u>		
Net increases / decreases to capital assets		<u>\$ (335,928)</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended April 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 57,980,000	\$ 7,300,000	\$ 9,110,000	\$ 56,170,000	\$ 2,155,000
Add interest accreted	42,500	15,154		57,654	656
Less deferred amounts:					
Refunding charge	(571,320)	(241,728)	(79,241)	(733,807)	(83,252)
For issuance (discounts) net of premium	<u>198,462</u>	<u>41,026</u>	<u>(163,663)</u>	<u>403,151</u>	<u>(20,770)</u>
Total bonds payable	<u>57,649,642</u>	<u>7,114,452</u>	<u>8,867,096</u>	<u>55,896,998</u>	<u>2,051,634</u>
Lease-purchase agreement, Note 9	<u>1,381,743</u>	<u>0</u>	<u>135,733</u>	<u>1,246,010</u>	<u>139,873</u>
Due to developer (see below)	<u>4,255,845</u>	<u>1,315,194</u>	<u>0</u>	<u>5,571,039</u>	<u>-----</u>
Total long-term liabilities	<u>\$ 63,287,230</u>	<u>\$ 8,429,646</u>	<u>\$ 9,002,829</u>	<u>\$ 62,714,047</u>	<u>\$ 2,191,507</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Bonds payable, beginning of year		\$ 57,980,000
Bonds paid		(2,060,000)
Bonds sold:		
Proceeds	\$ 7,341,026	
Premium	<u>(41,026)</u>	7,300,000
Bonds refunded		<u>(7,050,000)</u>
Bonds payable, end of year		<u>\$ 56,170,000</u>

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

Fiscal Year	Principal	Interest*	Total
2021	\$ 2,155,000	\$ 1,829,820	\$ 3,984,820
2022	1,830,000	1,768,537	3,598,537
2023	1,845,000	1,716,213	3,561,213
2024	2,215,000	1,660,187	3,875,187
2025	2,265,000	1,598,295	3,863,295
2026 - 2030	11,885,000	6,944,108	18,829,108
2031 - 2035	13,300,000	4,932,494	18,232,494
2036 - 2040	16,150,000	2,403,474	18,553,474
2041 - 2044	<u>4,525,000</u>	<u>293,688</u>	<u>4,818,688</u>
	<u>\$ 56,170,000</u>	<u>\$ 23,146,816</u>	<u>\$ 79,316,816</u>

*Interest on the Premium Compound Interest Bonds which mature October 1, 2020, October 1, 2021 and October 1, 2022 will be paid upon redemption.

Bonds voted	\$ 217,000,000
Bonds approved for sale and sold	69,185,000
Bonds voted and not issued	147,815,000
Refunding bonds voted	144,000,000
Refunding bonds sold	4,199,308
Refunding bonds voted and not issued	139,800,692

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 Series 2009 bonds are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The bond issues payable at April 30, 2020, were as follows:

	<u>Series 2009</u>	<u>Series 2010</u>	<u>Series 2013</u>
Amounts outstanding, April 30, 2020	\$260,000	\$150,000	\$8,875,000
Interest rates	4.15%	4.25%	3.00% to 5.00%
Maturity dates, serially beginning/ending	October 1, 2020	October 1, 2020	October 1, 2020/2039
Interest payment dates	October 1/April 1	October 1/April 1	October 1/April 1
Callable dates	October 1, 2018*	October 1, 2019*	October 1, 2021*
	<u>Refunding Series 2014</u>	<u>Series 2015</u>	<u>Refunding Series 2016</u>
Amounts outstanding, April 30, 2020	\$4,280,000	\$8,575,000	\$4,945,000
Interest rates	3.00% to 3.25%	2.50% to 3.75%	2.00% to 4.00%
Maturity dates, serially beginning/ending	October 1, 2020/2025	October 1, 2020/2039	October 1, 2020/2032
Interest payment dates	October 1/April 1	October 1/April 1	October 1/April 1
Callable dates	October 1, 2022*	October 1, 2023*	October 1, 2023*
	<u>Series 2017</u>	<u>Refunding Series 2017A</u>	<u>Series 2018</u>
Amounts outstanding, April 30, 2020	\$7,350,000	\$5,135,000	\$9,300,000
Interest rates	2.00% to 3.75%	2.00% to 3.375%	3.00% to 4.00%
Maturity dates, serially beginning/ending	October 1, 2020/2041	October 1, 2020/2033	October 1, 2020/2043
Interest payment dates	October 1/April 1	October 1/April 1	October 1/April 1
Callable dates	October 1, 2024*	October 1, 2024*	October 1, 2023*
	<u>Refunding Series 2019**</u>		
Amounts outstanding, April 30, 2020	\$7,300,000		
Interest rates	2.00% to 3.00%		
Maturity dates, serially beginning/ending	October 1, 2020/2034		
Interest payment dates	October 1/April 1		
Callable dates	October 1, 2025*		

*, ** - See following page

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

**On July 25, 2019, the District issued \$7,300,000 in unlimited tax refunding bonds to advance refund \$7,050,000 of outstanding Series 2010 bonds. The net proceeds of \$7,185,041 (after payment of \$265,878 in underwriting fees, insurance and other issuance costs including the District's contribution of \$109,893) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to call and retire the refunded Series 2010 bonds on October 1, 2019. As a result, these 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 \$941,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$740,000.

Developer Construction Commitments and Liabilities

Developers within the District are currently constructing certain underground facilities within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The District's engineer stated that cost of the construction in progress at April 30, 2020, was \$5,571,039. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

NOTE 6: PROPERTY TAXES

The Montgomery 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.

At an election held April 3, 1982, the voters within the District authorized a maintenance tax not to exceed \$0.40 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

On September 16, 2019, the District levied the following ad valorem taxes for the 2019 tax year on the adjusted taxable valuation of \$623,487,747:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.7200	\$ 4,489,112
Maintenance	<u>0.2800</u>	<u>1,745,766</u>
	<u>\$ 1.0000</u>	<u>\$ 6,234,878</u>

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	\$ 6,234,878
Appraisal district adjustments to prior year taxes	<u>(16,434)</u>
Statement of Activities property tax revenues	<u>\$ 6,218,444</u>

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 \$9,824,704 and the bank balance was \$9,922,109. Of the bank balance, \$2,130,048 was covered by federal insurance, \$2,423,632 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Atlanta and \$5,368,429 was covered by the market value of collateral held by the District's custodial bank in the District's name. The market value of collateral was reported to the District by the depository.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$12,240,956.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Debt Service Fund

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

Cash	\$ 1,359,514
Certificates of deposit	966,903
Temporary investments	<u>4,916,714</u>
	<u>\$ 7,243,131</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$ 670,924
Temporary investments	<u>178,587</u>
	<u>\$ 849,511</u>

During the fiscal year ended April 30, 2020, the District reimbursed the General Fund \$659,033 with the permission of the Texas Commission on Environmental Quality.

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 April 30, 2020, the District had physical damage and boiler and machinery coverage of \$22,880,495, comprehensive general liability coverage with a per occurrence limit of \$2,000,000 and \$4,000,000 general aggregate, consultant's crime coverage of \$50,000 and a tax assessor-collector bond of \$10,000.

NOTE 9: CONTRACTS WITH OTHER DISTRICTS

Stormwater Facilities Contract

On April, 15, 2003, Spring Creek Utility District, Montgomery County Municipal District No. 88 and Montgomery County Municipal Utility District No. 89 entered into a contract for the purpose of sharing the cost of constructing and operating the Legends Ranch Central Drainage Facilities (the "Facilities"). The contract is for a period of forty years.

Spring Creek Utility District is the owner and operator of the Facilities. The Facilities' General Fund has been reported as the Special Revenue Fund of the District. Construction costs of the Facilities are funded by the contribution of funds from each participating district. Expansion costs of the Facilities will be the subject of a separate written agreement between the parties, or an amendment to this contract. The Facilities issues no debt. Capital assets of the Facilities are reported in the financial statements of each District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Each participant is responsible for its share of the operating costs of the Facilities. Ownership of each participating district's capacity in the pump station facilities at April 30, 2020, was as follows: Spring Creek Utility District -- 24.0%; Montgomery County Municipal Utility District No. 88 -- 28.2%; Montgomery County Municipal Utility District No. 89 -- 47.8%. As of April 30, 2020, pump station facilities costs are billed as follows: Spring Creek Utility District -- 28.5%; Montgomery County Municipal Utility District No. 88 -- 30.7%; Montgomery County Municipal Utility District No. 89 -- 40.8%. Drainage and detention facilities maintenance costs are allocated based on each participating district's capacity. As of April 30, 2020, the capacity allocations were as follows: Spring Creek Utility District -- 30.357%; Montgomery County Municipal Utility District No. 88 -- 26.834%; Montgomery County Municipal Utility District No. 89 -- 42.809%. Participants are billed a monthly amount which is equal to the actual costs incurred during the prior month.

During the fiscal year ended April 30, 2020, the District accrued \$66,606 for its share of the Facilities' operating expenditures and \$3,406 for its share of the Facilities' capital expenditures. At this date the District had contributed \$18,060 of the Facilities' \$60,000 operating reserve.

Water Facilities Contracts

Water Plant No. 1

On February 25, 2003, as amended August 15, 2008, the District entered into an agreement with Montgomery County Municipal Utility District No. 89 for the purpose of sharing the cost of constructing and operating the Montgomery County Municipal Utility District No. 89 Water Plant Facilities ("Water Plant No. 1"). The contract is for a period of forty years.

Montgomery County Municipal Utility District No. 89 is the operator of Water Plant No. 1 and holds title for the benefit of the participants. Construction costs of Water Plant No. 1 are funded by the contribution of funds from each participating district. Water Plant No. 1 issues no debt. At April 30, 2020, the District's 56% ownership of the capacity in Water Plant No. 1 is recorded as a capital asset of the District.

Water Plant No. 2

On October 7, 2004 as amended August 15, 2008, September 19, 2011, December 6, 2012 and June 14, 2018, the District entered into an agreement with Montgomery County Municipal Utility District No. 88 and Montgomery County Municipal Utility District No. 89 for the purpose of constructing and operating Montgomery County Municipal Utility District No. 89 Water Plant Facilities ("Water Plant No. 2"). The contract is for a period of forty years.

Montgomery County Municipal Utility District No. 89 is the operator of Water Plant No. 2 and holds title for the benefit of the participants. Construction costs of Water Plant No. 2 are funded by the contribution of funds from each participating district. Water Plant No. 2 issues no debt.

Monthly operating costs of the joint water facilities are to be shared based on capacity acquired. During the fiscal year ended April 30, 2020, the District accrued \$67,593 for operating expenditures under the terms of the agreement. At April 30, 2020, the District's share of the Plant's operating reserve was \$41,800.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 10: GROUNDWATER CONSERVATION DISTRICT

The District is within the boundaries of the Lone Star Groundwater Conservation District ("LSGCD"). The LSGCD was created by the Legislature of the State of Texas in Acts 2001, 77th Legislature, Regular Session. The LSGCD is a political subdivision of the State of Texas, governed by an elected seven member board of directors. The purpose of the LSGCD is to provide for the conservation, preservation, protection, recharging, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by the withdrawal of water from those groundwater reservoirs or their subdivisions, consistent with the objectives of Section 59, Article XVI, Texas Constitution. Rule 8.1 of the rules of the LSGCD authorizes the board of directors of the LSGCD to establish by resolution a regulatory water use fee to accomplish the purposes of the LSGCD. In accordance with this rule, as of April 30, 2020, the LSGCD had established a regulatory water use fee of \$0.085 per 1,000 gallons of water pumped from each regulated well.

The San Jacinto River Authority (SJRA) is a conservation and reclamation district, body politic and corporate and a governmental agency of the State of Texas created and operating under the provisions of a series of acts compiled as Vernon's Annotated Texas Civil Statutes, Article 8280-121, enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution, whose area comprises all of the territory within the watershed of the San Jacinto River and its tributaries, except that portion of the watershed lying within the boundaries of Harris County. Such area consists of all of Montgomery County and parts of Waller, Grimes, Walker, San Jacinto, Liberty, and Fort Bend counties.

The LSGCD established a regulatory target in its District Regulatory Plan (DRP) Phase I to reduce groundwater withdrawals from the aquifer in Montgomery County to 64,000 acre-feet per year by January 2015. The LSGCD District Regulatory Plan (DRP) Phase II (A) required large volume groundwater users (LVGU) to submit a Water Resource Assessment Plan (WRAP), which included identification of new water supply sources to meet projected water demands by March of 2009. SJRA prepared and submitted a joint plan on behalf of 201 large volume groundwater users to reduce groundwater withdrawal and encourage the conjunctive use of surface water with ground water supplies to meet the LSGCD regulations. In November 2009, the LSGCD adopted final regulations that require certain groundwater users to prepare and submit a Groundwater Reduction Plan by April 1, 2010, outlining how the user intends to meet a 2016 deadline for conversion to surface water supplies. The SJRA responded to this regulatory requirement with the development of a long-term countywide approach that will provide a compliance solution for all users in the county who choose to join. Any large volume groundwater user in the county may join the SJRA's Joint Groundwater Reduction Plan (GRP) by executing a GRP Contract and paying the required monthly GRP Pumpage Fee. The District has executed a GRP Contract with the SJRA. The GRP Pumpage Fee as of April 30, 2020 is \$2.73 per thousand gallons of groundwater pumped by the participating entity and is billed monthly. It is anticipated that this fee will increase each year as costs are incurred for design and construction of the necessary infrastructure to deliver surface water.

The District's combined well regulatory water use fees and GRP pumpage fees payable to the LSGCD and SJRA, for the fiscal year ended April 30, 2020, were \$904,394. The District billed its customers \$929,918 during the fiscal year to pay for the fees charged by the LSGCD and SJRA.

The District cannot predict the amount or level of fees and charges which may be due the Authorities for future years, but anticipates that it will pass such fees through to its customers.

NOTE 11: LEASE-PURCHASE AGREEMENT

On September 27, 2017, the District entered into a Lease-Purchase Agreement (the "Lease") to replace and improve the water meters throughout the District. The original principal amount of the Lease is \$1,516,077 and bears interest at a rate of 3.05% per annum for 120 months. Annual principal and interest payments of \$177,877 are due on September 1st of each year. The District has the option to purchase the meters at the option price after the fifth payment. The District has accounted for this lease as a capital lease in accordance with Generally Accepted Accounting Principles.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

During the fiscal year ended April 30, 2020, the District made payments of \$177,876 under the provisions of the Lease. Of this amount, \$135,733 was a payment of principal and \$42,143 was interest.

At April 30, 2020, the lease payments due were as follows:

<u>Due During Fiscal Years Ending April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 139,873	\$ 38,003	\$ 177,876
2022	144,139	33,737	177,876
2023	148,536	29,341	177,877
2024	153,066	24,811	177,877
2025	157,735	20,142	177,877
2026-2028	<u>502,661</u>	<u>30,970</u>	<u>533,631</u>
	<u>\$ 1,246,010</u>	<u>\$ 177,004</u>	<u>\$ 1,423,014</u>

NOTE 12: STRATEGIC PARTNERSHIP AGREEMENT

On December 19, 2011, the District and the City of Houston (the “City”) entered into a 30 year Strategic Partnership Agreement (the “Agreement”) (as Amended and Restated effective November 22, 2013). Under the terms of the Agreement, the City annexed a portion of the District (the “Partial District”) for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Partial District. The Agreement states that the District and all taxable property within the District shall not be liable for any present or future debts of the City and current and future taxes levied by the City shall not be levied on taxable property with the District. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

The City imposed a Sales and Use Tax within the boundaries of the Partial District at the time of the limited-purpose annexation of the Partial District. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas. The District accrued Sales and Use Tax revenues of \$425,225 from the City for the fiscal year ended April 30, 2020.

SPRING CREEK UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 1,513,521	\$ 1,513,521	\$ 1,730,320	\$ 216,799
Water service	1,068,000	1,068,000	1,168,645	100,645
Sewer service	1,476,000	1,476,000	1,613,649	137,649
Surface water fees	945,600	945,600	929,918	(15,682)
Penalty	72,876	72,876	67,945	(4,931)
Sales and Use Taxes	372,000	372,000	425,225	53,225
Tap connection and sewer inspection fees	140,000	140,000	816,385	676,385
Interest on deposits and investments	144,000	144,000	205,748	61,748
Other revenues	0	0	198,436	198,436
TOTAL REVENUES	5,731,997	5,731,997	7,156,271	1,424,274
EXPENDITURES				
Service operations:				
Purchased services	185,518	185,518	134,199	(51,319)
Professional fees	240,950	240,950	249,988	9,038
Contracted services	294,500	294,500	335,677	41,177
Utilities	200,000	200,000	200,119	119
Surface water pumpage fees	931,000	931,000	904,394	(26,606)
Repairs and maintenance	1,057,185	1,138,185	919,649	(218,536)
Other operating expenditures	297,000	329,500	203,245	(126,255)
Security service	765,958	564,000	526,151	(37,849)
Garbage disposal	653,328	653,328	675,462	22,134
Administrative expenditures	287,250	287,250	255,382	(31,868)
Capital outlay	14,500	14,500	424,950	410,450
Debt service:				
Principal and interest	200,000	200,000	177,876	(22,124)
TOTAL EXPENDITURES	5,127,189	5,038,731	5,007,092	(31,639)
EXCESS REVENUES (EXPENDITURES)	604,808	693,266	2,149,179	1,455,913
OTHER FINANCING SOURCES				
Reimbursement from other fund	0	0	659,033	659,033
EXCESS SOURCES (USES)	604,808	693,266	2,808,212	2,114,946
FUND BALANCE, BEGINNING OF YEAR	9,809,473	9,809,473	9,809,473	0
FUND BALANCE, END OF YEAR	\$ 10,414,281	\$ 10,502,739	\$ 12,617,685	\$ 2,114,946

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.

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

SPRING CREEK UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, SPECIAL REVENUE FUND
FOR THE YEAR ENDED APRIL 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From participants in joint venture:				
Spring Creek Utility District	\$ 118,251	\$ 118,251	\$ 70,012	\$ (48,239)
Montgomery County Municipal Utility District No. 88	126,386	126,386	64,769	(61,617)
Montgomery County Municipal Utility District No. 89	174,225	174,225	91,881	(82,344)
Interest on deposits	<u>0</u>	<u>0</u>	<u>99</u>	<u>99</u>
TOTAL REVENUES	<u>418,862</u>	<u>418,862</u>	<u>226,761</u>	<u>(192,101)</u>
EXPENDITURES				
Service operations:				
Professional fees	12,250	12,250	20,207	7,957
Contracted services	12,900	12,900	13,615	715
Utilities	43,200	43,200	45,667	2,467
Repairs and maintenance	308,712	308,712	131,537	(177,175)
Administrative expenditures	6,800	6,800	3,783	(3,017)
Capital outlay	<u>35,000</u>	<u>35,000</u>	<u>11,952</u>	<u>(23,048)</u>
TOTAL EXPENDITURES	<u>418,862</u>	<u>418,862</u>	<u>226,761</u>	<u>(192,101)</u>
EXCESS REVENUES (EXPENDITURES)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE, BEGINNING OF YEAR	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 0</u>

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.

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

SPRING CREEK UTILITY DISTRICT
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
APRIL 30, 2020

(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

SPRING CREEK UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES
APRIL 30, 2020

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

- | | | |
|--|---|--|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input checked="" type="checkbox"/> Security |
| <input checked="" type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| <input type="checkbox"/> 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:	\$ 14.00	6,000	N	\$ 2.00	6,001 to 13,000
				2.50	13,001 to 20,000
				6.00	Over 20,001
WASTEWATER:	\$ 36.00	10,000	N	\$ 1.25	Over 10,000

SURCHARGE: \$0.0978 per 1,000 gallons of water used. -- LSGCD regulatory water use fee.
 \$3.139 per 1,000 gallons of water used. -- SJRA GRP fee.
 \$0.50 % of monthly billing -- TCEQ assessment fees.

District employs winter averaging for wastewater usage: Yes No

Total charges per 10,000 gallons usage: Water: \$22.00 Wastewater: \$36.00 Surcharge: \$32.66

SPRING CREEK UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES (Continued)
APRIL 30, 2020

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	0	0	1.0	0
< or = 3/4"	3,567	3,528	1.0	3,528
1"	42	42	2.5	105
1-1/2"	9	9	5.0	45
2"	47	47	8.0	376
3"	4	4	15.0	60
4"	0	0	25.0	0
6"	2	2	50.0	100
8"	0	0	80.0	0
10"	2	2	115.0	230
Total Water	<u>3,673</u>	<u>3,634</u>		<u>4,444</u>
Total Wastewater	<u>3,560</u>	<u>3,525</u>	1.0	<u>3,525</u>

*Single family equivalents

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

Gallons pumped into system (unaudited): 285,971
 Gallons billed to customers (unaudited): 283,738

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

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

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

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

SPRING CREEK UTILITY DISTRICT

EXPENDITURES

FOR THE YEAR ENDED APRIL 30, 2020

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT					
Purchased services:					
Water services	\$ 67,593	\$	\$	\$	\$ 67,593
Stormwater facilities	66,606				66,606
	<u>134,199</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>134,199</u>
Professional fees:					
Auditing	10,950	1,250			12,200
Legal	131,885	12,271	13,635	18,189	175,980
Engineering	107,153	6,686			113,839
	<u>249,988</u>	<u>20,207</u>	<u>13,635</u>	<u>18,189</u>	<u>302,019</u>
Contracted services:					
Bookkeeping	40,181	4,500			44,681
Operation and billing	206,036	9,115			215,151
Construction inspector	79,500				79,500
SPA consultant	9,960				9,960
Tax assessor-collector			39,727		39,727
Central appraisal district			49,121		49,121
	<u>335,677</u>	<u>13,615</u>	<u>88,848</u>	<u>0</u>	<u>438,140</u>
Utilities	<u>200,119</u>	<u>45,667</u>	<u>0</u>	<u>0</u>	<u>245,786</u>
Surface water pumpage fees	<u>904,394</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>904,394</u>
Repairs and maintenance	<u>919,649</u>	<u>131,537</u>	<u>0</u>	<u>0</u>	<u>1,051,186</u>
Other operating expenditures:					
Sludge hauling	96,224				96,224
Chemicals	34,835				34,835
Laboratory costs	43,389				43,389
Sewer inspection costs	15,291				15,291
Regulatory assessment	13,506				13,506
	<u>203,245</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>203,245</u>
Security service	<u>526,151</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>526,151</u>
Garbage disposal	<u>675,462</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>675,462</u>
Administrative expenditures:					
Director's fees	21,600				21,600
Communications/Technology	40,241				40,241
Office supplies and postage	78,070	583			78,653
Insurance	40,338	3,200	100		43,638
Permit fees	19,982				19,982
Other	55,151		15,240		70,391
	<u>255,382</u>	<u>3,783</u>	<u>15,340</u>	<u>0</u>	<u>274,505</u>

See accompanying independent auditor's report.

SPRING CREEK UTILITY DISTRICT
EXPENDITURES (Continued)
FOR THE YEAR ENDED APRIL 30, 2020

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CAPITAL OUTLAY					
Authorized expenditures	\$ 112,666	\$ 11,952	\$	\$	\$ 124,618
Tap connection costs	312,284				312,284
	<u>424,950</u>	<u>11,952</u>	<u>0</u>	<u>0</u>	<u>436,902</u>
DEBT SERVICE					
Principal retirement	<u>135,733</u>	<u>0</u>	<u>2,060,000</u>	<u>0</u>	<u>2,195,733</u>
Bond issuance expenditures	<u>0</u>	<u>0</u>	<u>109,893</u>	<u>0</u>	<u>109,893</u>
Interest and fees:					
Interest	42,143		1,844,272		1,886,415
Paying agent fees			6,250		6,250
	<u>0</u>	<u>0</u>	<u>1,850,522</u>	<u>0</u>	<u>1,850,522</u>
TOTAL EXPENDITURES	<u>\$ 5,007,092</u>	<u>\$ 226,761</u>	<u>\$ 4,138,238</u>	<u>\$ 18,189</u>	<u>\$ 9,390,280</u>

See accompanying independent auditor's report.

SPRING CREEK UTILITY DISTRICT

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

FOR THE YEAR ENDED APRIL 30, 2020

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS					
Cash receipts from revenues	\$ 5,367,315	\$ 209,152	\$ 4,615,777	\$ 15,867	\$ 10,208,111
Maintenance tax receipts			1,730,320		1,730,320
Transfer of maintenance taxes	1,732,242				1,732,242
Reimbursement from other fund	659,033				659,033
Proceeds from sale of bonds			7,341,026		7,341,026
Increase in customer and builder deposits	184,575				184,575
Landowner construction advances	<u>610,000</u>				<u>610,000</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	<u>8,553,165</u>	<u>209,152</u>	<u>13,687,123</u>	<u>15,867</u>	<u>22,465,307</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS					
Cash disbursements for:					
Current expenditures	4,274,640	201,857	116,795	17,142	4,610,434
Capital outlay	424,950	11,952			436,902
Debt service	177,876		4,020,415		4,198,291
Payment to refunding escrow agent			7,185,041		7,185,041
Refunding bond issuance expenditures			155,985		155,985
Reimbursement to other fund				659,033	659,033
Disbursements from landowner advances	69,441				69,441
Disbursements from insurance proceeds	101,647				101,647
Transfer of maintenance taxes			<u>1,732,242</u>		<u>1,732,242</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	<u>5,048,554</u>	<u>213,809</u>	<u>13,210,478</u>	<u>676,175</u>	<u>19,149,016</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	3,504,611	(4,657)	476,645	(660,308)	3,316,291
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>10,421,700</u>	<u>51,364</u>	<u>6,766,486</u>	<u>1,509,819</u>	<u>18,749,369</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 13,926,311</u>	<u>\$ 46,707</u>	<u>\$ 7,243,131</u>	<u>\$ 849,511</u>	<u>\$ 22,065,660</u>

See accompanying independent auditor's report.

SPRING CREEK UTILITY DISTRICTSCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTSAPRIL 30, 2020

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Certificates of Deposit				
No. 9009002206	2.60%	7/08/20	\$ 242,739	\$ 5,101
No. 6750866385	2.50%	7/20/20	246,281	4,824
No. 6000013257	1.80%	7/09/20	<u>247,036</u>	<u>1,365</u>
			<u>\$ 736,056</u>	<u>\$ 11,290</u>
TexPool				
No. 2568500008	Market	On demand	<u>\$ 7,145,655</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
Certificates of Deposit				
No. 3300035363	2.60%	5/09/20	\$ 240,145	\$ 6,090
No. 440007187	2.65%	5/17/20	240,000	6,081
No. 9590001190373	2.75%	11/07/20	242,719	3,200
No. 51204515	1.85%	5/08/20	<u>244,039</u>	<u>2,152</u>
			<u>\$ 966,903</u>	<u>\$ 17,523</u>
TexPool				
No. 2568500004	Market	On demand	<u>\$ 4,916,714</u>	<u>\$ 0</u>
CAPITAL PROJECTS FUND				
TexPool				
No. 2568500011	Market	On demand	<u>\$ 178,587</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 13,943,915</u>	<u>\$ 28,813</u>

See accompanying independent auditor's report.

SPRING CREEK UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2020

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 64,289	\$ 168,650
Additions and corrections to prior year taxes	<u>(4,540)</u>	<u>(11,894)</u>
Adjusted receivable, beginning of year	59,749	156,756
2019 ADJUSTED TAX ROLL	<u>1,745,766</u>	<u>4,489,112</u>
Total to be accounted for	1,805,515	4,645,868
Tax collections: Current tax year	(1,704,546)	(4,383,118)
Prior tax years	<u>(25,774)</u>	<u>(67,021)</u>
RECEIVABLE, END OF YEAR	<u>\$ 75,195</u>	<u>\$ 195,729</u>
RECEIVABLE, BY TAX YEAR		
2009 and prior	\$ 98	\$ 265
2010	98	264
2011	102	275
2012	423	1,142
2013	862	2,332
2014	1,670	4,516
2015	3,037	8,212
2016	4,020	10,869
2017	7,611	20,578
2018	16,054	41,282
2019	<u>41,220</u>	<u>105,994</u>
RECEIVABLE, END OF YEAR	<u>\$ 75,195</u>	<u>\$ 195,729</u>

See accompanying independent auditor's report.

SPRING CREEK UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE (Continued)
FOR THE YEAR ENDED APRIL 30, 2020

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land	\$ 107,839,863	\$ 106,665,533	\$ 104,523,670	\$ 94,005,550
Improvements	602,247,924	543,728,083	515,778,446	473,961,608
Personal property	34,470,970	31,455,312	19,977,793	8,536,154
Less exemptions	<u>(121,071,010)</u>	<u>(114,820,829)</u>	<u>(103,146,792)</u>	<u>(90,152,976)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 623,487,747</u>	 <u>\$ 567,028,099</u>	 <u>\$ 537,133,117</u>	 <u>\$ 486,350,336</u>
 TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.72000	\$ 0.72000	\$ 0.73000	\$ 0.73000
Maintenance tax rates*	<u>0.28000</u>	<u>0.28000</u>	<u>0.27000</u>	<u>0.27000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 1.00000</u>	 <u>\$ 1.00000</u>	 <u>\$ 1.00000</u>	 <u>\$ 1.00000</u>
 TAX ROLLS	 <u>\$ 6,234,878</u>	 <u>\$ 5,670,281</u>	 <u>\$ 5,371,331</u>	 <u>\$ 4,863,503</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED	 <u>97.6 %</u>	 <u>99.0 %</u>	 <u>99.5 %</u>	 <u>99.7 %</u>

*Maximum tax rate approved by voters on April 3, 1982: \$0.40

See accompanying independent auditor's report.

SPRING CREEK UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
APRIL 30, 2020

Series 2009			
Due During Fiscal Years Ending April 30	Principal Due October 1	Interest Due October 1, April 1	Total
2021	\$ 260,000	\$ 5,395	\$ 265,395

Series 2010			
Due During Fiscal Years Ending April 30	Principal Due October 1	Interest Due October 1, April 1	Total
2021	\$ 150,000	\$ 3,188	\$ 153,188

See accompanying independent auditor's report.

SPRING CREEK UTILITY DISTRICTLONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)APRIL 30, 2020

<u>Due During Fiscal Years Ending April 30</u>	<u>Series 2013</u>		
	<u>Principal Due October 1</u>	<u>Interest Due October 1, April 1</u>	<u>Total</u>
2021	\$ 25,000	\$ 332,469	\$ 357,469
2022	25,000	331,219	356,219
2023	25,000	330,220	355,220
2024	25,000	329,469	354,469
2025	25,000	328,718	353,718
2026	25,000	327,968	352,968
2027	25,000	327,203	352,203
2028	25,000	326,421	351,421
2029	25,000	325,640	350,640
2030	25,000	324,859	349,859
2031	25,000	324,078	349,078
2032	100,000	322,063	422,063
2033	100,000	318,813	418,813
2034	200,000	313,938	513,938
2035	1,000,000	294,438	1,294,438
2036	1,350,000	254,563	1,604,563
2037	1,400,000	206,438	1,606,438
2038	1,450,000	155,656	1,605,656
2039	1,500,000	102,187	1,602,187
2040	1,500,000	37,500	1,537,500
TOTALS	<u>\$ 8,875,000</u>	<u>\$ 5,613,860</u>	<u>\$ 14,488,860</u>

See accompanying independent auditor's report.

SPRING CREEK UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
APRIL 30, 2020

Due During Fiscal Years Ending April 30	Series 2014		
	Principal Due October 1	Interest Due October 1, April 1	Total
2021	\$ 795,000	\$ 118,831	\$ 913,831
2022	805,000	94,831	899,831
2023	825,000	70,381	895,381
2024	595,000	49,081	644,081
2025	635,000	30,234	665,234
2026	625,000	10,156	635,156
TOTALS	\$ 4,280,000	\$ 373,514	\$ 4,653,514

See accompanying independent auditor's report.

SPRING CREEK UTILITY DISTRICT

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

APRIL 30, 2020

Due During Fiscal Years Ending April 30	Series 2015		
	Principal Due October 1	Interest Due October 1, April 1	Total
2021	\$ 200,000	\$ 294,312	\$ 494,312
2022	200,000	289,312	489,312
2023	200,000	284,312	484,312
2024	200,000	279,312	479,312
2025	200,000	274,062	474,062
2026	200,000	268,312	468,312
2027	150,000	262,969	412,969
2028	200,000	257,500	457,500
2029	200,000	251,125	451,125
2030	200,000	244,626	444,626
2031	225,000	237,578	462,578
2032	250,000	229,563	479,563
2033	350,000	219,438	569,438
2034	550,000	203,907	753,907
2035	575,000	184,219	759,219
2036	925,000	157,391	1,082,391
2037	925,000	123,282	1,048,282
2038	925,000	88,594	1,013,594
2039	950,000	53,438	1,003,438
2040	950,000	17,813	967,813
TOTALS	<u>\$ 8,575,000</u>	<u>\$ 4,221,065</u>	<u>\$ 12,796,065</u>

See accompanying independent auditor's report.

SPRING CREEK UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
APRIL 30, 2020

Due During Fiscal Years Ending April 30	Series 2016		
	Principal Due October 1	Interest Due October 1, April 1	Total
2021	\$ 65,000	\$ 191,550	\$ 256,550
2022	65,000	190,250	255,250
2023	65,000	188,950	253,950
2024	85,000	187,450	272,450
2025	85,000	184,900	269,900
2026	105,000	181,100	286,100
2027	755,000	163,900	918,900
2028	755,000	133,700	888,700
2029	750,000	103,600	853,600
2030	745,000	73,700	818,700
2031	745,000	43,900	788,900
2032	365,000	21,700	386,700
2033	360,000	7,200	367,200
TOTALS	<u>\$ 4,945,000</u>	<u>\$ 1,671,900</u>	<u>\$ 6,616,900</u>

See accompanying independent auditor's report.

SPRING CREEK UTILITY DISTRICT

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

APRIL 30, 2020

Due During Fiscal Years Ending April 30	Series 2017		
	Principal Due October 1	Interest Due October 1, April 1	Total
2021	\$ 325,000	\$ 223,562	\$ 548,562
2022	325,000	215,438	540,438
2023	325,000	208,937	533,937
2024	325,000	202,438	527,438
2025	325,000	195,531	520,531
2026	325,000	187,812	512,812
2027	325,000	179,281	504,281
2028	325,000	169,938	494,938
2029	325,000	160,187	485,187
2030	325,000	150,438	475,438
2031	325,000	140,484	465,484
2032	325,000	130,125	455,125
2033	325,000	119,359	444,359
2034	300,000	108,625	408,625
2035	325,000	97,687	422,687
2036	350,000	85,875	435,875
2037	350,000	73,406	423,406
2038	350,000	60,719	410,719
2039	350,000	47,813	397,813
2040	350,000	34,688	384,688
2041	375,000	21,094	396,094
2042	375,000	7,031	382,031
TOTALS	<u>\$ 7,350,000</u>	<u>\$ 2,820,468</u>	<u>\$ 10,170,468</u>

See accompanying independent auditor's report.

SPRING CREEK UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
APRIL 30, 2020

Due During Fiscal Years Ending April 30	Series 2017A		
	Principal Due October 1	Interest Due October 1, April 1*	Total
2021	\$ 85,000	\$ 146,744	\$ 231,744
2022	5,000	145,544	150,544
2023	5,000	145,544	150,544
2024	360,000	141,944	501,944
2025	350,000	134,406	484,406
2026	370,000	125,844	495,844
2027	385,000	116,406	501,406
2028	405,000	106,025	511,025
2029	420,000	94,156	514,156
2030	460,000	80,956	540,956
2031	505,000	66,481	571,481
2032	540,000	50,131	590,131
2033	530,000	32,744	562,744
2034	715,000	12,066	727,066
TOTALS	<u>\$ 5,135,000</u>	<u>\$ 1,398,991</u>	<u>\$ 6,533,991</u>

*Interest on the Premium Compound Interest Bonds which mature October 1, 2020, October 1, 2021 and October 1, 2022 will be paid upon redemption.

See accompanying independent auditor's report.

SPRING CREEK UTILITY DISTRICT

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

APRIL 30, 2020

<u>Due During Fiscal Years Ending April 30</u>	<u>Series 2018</u>		
	<u>Principal Due October 1</u>	<u>Interest Due October 1, April 1</u>	<u>Total</u>
2021	\$ 200,000	\$ 313,906	\$ 513,906
2022	200,000	305,906	505,906
2023	200,000	297,906	497,906
2024	200,000	289,906	489,906
2025	200,000	282,906	482,906
2026	200,000	276,906	476,906
2027	200,000	270,906	470,906
2028	200,000	264,906	464,906
2029	200,000	258,906	458,906
2030	200,000	252,906	452,906
2031	200,000	246,906	446,906
2032	200,000	240,781	440,781
2033	200,000	234,531	434,531
2034	200,000	228,157	428,157
2035	200,000	221,657	421,657
2036	375,000	212,313	587,313
2037	425,000	199,047	624,047
2038	500,000	183,438	683,438
2039	550,000	165,375	715,375
2040	675,000	143,938	818,938
2041	925,000	115,938	1,040,938
2042	950,000	83,125	1,033,125
2043	950,000	49,875	999,875
2044	950,000	16,625	966,625
TOTALS	<u>\$ 9,300,000</u>	<u>\$ 5,156,766</u>	<u>\$ 14,456,766</u>

See accompanying independent auditor's report.

SPRING CREEK UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
APRIL 30, 2020

Due During Fiscal Years Ending April 30	Series 2019		
	Principal Due October 1	Interest Due October 1, April 1	Total
2021	\$ 50,000	\$ 199,863	\$ 249,863
2022	205,000	196,037	401,037
2023	200,000	189,963	389,963
2024	425,000	180,587	605,587
2025	445,000	167,538	612,538
2026	445,000	154,187	599,187
2027	485,000	142,663	627,663
2028	480,000	133,012	613,012
2029	495,000	123,263	618,263
2030	505,000	112,631	617,631
2031	495,000	99,525	594,525
2032	785,000	80,325	865,325
2033	775,000	56,925	831,925
2034	760,000	33,900	793,900
2035	750,000	11,250	761,250
TOTALS	<u>\$ 7,300,000</u>	<u>\$ 1,881,669</u>	<u>\$ 9,181,669</u>

See accompanying independent auditor's report.

SPRING CREEK UTILITY DISTRICT

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

APRIL 30, 2020

Due During Fiscal Years Ending April 30	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due*	Total
2021	\$ 2,155,000	\$ 1,829,820	\$ 3,984,820
2022	1,830,000	1,768,537	3,598,537
2023	1,845,000	1,716,213	3,561,213
2024	2,215,000	1,660,187	3,875,187
2025	2,265,000	1,598,295	3,863,295
2026	2,295,000	1,532,285	3,827,285
2027	2,325,000	1,463,328	3,788,328
2028	2,390,000	1,391,502	3,781,502
2029	2,415,000	1,316,877	3,731,877
2030	2,460,000	1,240,116	3,700,116
2031	2,520,000	1,158,952	3,678,952
2032	2,565,000	1,074,688	3,639,688
2033	2,640,000	989,010	3,629,010
2034	2,725,000	900,593	3,625,593
2035	2,850,000	809,251	3,659,251
2036	3,000,000	710,142	3,710,142
2037	3,100,000	602,173	3,702,173
2038	3,225,000	488,407	3,713,407
2039	3,350,000	368,813	3,718,813
2040	3,475,000	233,939	3,708,939
2041	1,300,000	137,032	1,437,032
2042	1,325,000	90,156	1,415,156
2043	950,000	49,875	999,875
2044	950,000	16,625	966,625
TOTALS	\$ 56,170,000	\$ 23,146,816	\$ 79,316,816

*Interest on the Premium Compound Interest Bonds which mature October 1, 2020, October 1, 2021 and October 1, 2022 will be paid upon redemption.

See accompanying independent auditor's report.

SPRING CREEK UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED APRIL 30, 2020

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>
Bond Series:	2009	2010	2013	2014
Interest Rate:	4.15%	4.25%	3.00% to 5.00%	3.00% to 3.25%
Dates Interest Payable:	October 1/ April 1	October 1/ April 1	October 1/ April 1	October 1/ April 1
Maturity Dates:	October 1, 2020	October 1, 2020	October 1, 2020/2039	October 1, 2020/2025
Bonds Outstanding at Beginning of Current Year	\$ 520,000	\$ 7,325,000	\$ 8,900,000	\$ 5,050,000
Less Retirements	<u>(260,000)</u>	<u>(7,175,000)</u>	<u>(25,000)</u>	<u>(770,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 260,000</u>	<u>\$ 150,000</u>	<u>\$ 8,875,000</u>	<u>\$ 4,280,000</u>
Current Year Interest Paid:	<u>\$ 16,185</u>	<u>\$ 9,031</u>	<u>\$ 333,718</u>	<u>\$ 138,456</u>

Bond Descriptions and Original Amount of Issue

- (1) Spring Creek Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2009 (\$7,620,000)
- (2) Spring Creek Utility District Unlimited Tax Bonds, Series 2010 (\$8,025,000)
- (3) Spring Creek Utility District Unlimited Tax Bonds, Series 2013 (\$9,650,000)
- (4) Spring Creek Utility District Unlimited Tax Refunding Bonds, Series 2014 (\$7,735,000)

Paying Agent/Registrar

- (1) (2) Wells Fargo Bank, Texas, N.A., Houston, Texas
- (3) (4) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

See accompanying independent auditor's report.

SPRING CREEK UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)
FOR THE YEAR ENDED APRIL 30, 2020

	<u>(5)</u>	<u>(6)</u>	<u>(7)</u>	<u>(8)</u>
Bond Series:	2015	2016	2017	2017A
Interest Rate:	2.50% to 3.75%	2.00% to 4.00%	2.00% to 3.75%	2.00% to 3.375%
Dates Interest Payable:	October 1/ April 1	October 1/ April 1	October 1/ April 1	October 1/ April 1
Maturity Dates:	October 1, 2020/2039	October 1, 2020/2032	October 1, 2020/2041	October 1, 2020/2033
Bonds Outstanding at Beginning of Current Year	\$ 8,775,000	\$ 5,015,000	\$ 7,675,000	\$ 5,220,000
Less Retirements	<u>(200,000)</u>	<u>(70,000)</u>	<u>(325,000)</u>	<u>(85,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 8,575,000</u>	<u>\$ 4,945,000</u>	<u>\$ 7,350,000</u>	<u>\$ 5,135,000</u>
Current Year Interest Paid:	<u>\$ 299,312</u>	<u>\$ 192,673</u>	<u>\$ 233,313</u>	<u>\$ 149,219</u>

Bond Descriptions and Original Amount of Issue

- (5) Spring Creek Utility District Unlimited Tax Bonds, Series 2015 (\$9,375,000)
- (6) Spring Creek Utility District Unlimited Tax Refunding Bonds, Series 2016 (\$5,305,000)
- (7) Spring Creek Utility District Unlimited Tax Bonds, Series 2017 (\$8,325,000)
- (8) Spring Creek Utility District Unlimited Tax Refunding Bonds, Series 2017A (\$5,400,000)

Paying Agent/Registrar

- (5) (6) (7) (8) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

SPRING CREEK UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)
FOR THE YEAR ENDED APRIL 30, 2020

	<u>(9)</u>	<u>(10)</u>	<u>Totals</u>
Bond Series:	2018	2019	
Interest Rate:	3.00% to 4.00%	2.00% to 3.00%	
Dates Interest Payable:	October 1/ April 1	October 1/ April 1	
Maturity Dates:	October 1, 2020/2043	October 1, 2020/2034	
Bonds Outstanding at Beginning of Current Year	\$ 9,500,000	\$ 0	\$ 57,980,000
Add Bonds Sold		7,300,000	7,300,000
Less Retirements	<u>(200,000)</u>	<u>0</u>	<u>(9,110,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 9,300,000</u>	<u>\$ 7,300,000</u>	<u>\$ 56,170,000</u>
Current Year Interest Paid:	<u>\$ 321,906</u>	<u>\$ 150,459</u>	<u>\$ 1,844,272</u>

Bond Descriptions and Original Amount of Issue

(9) Spring Creek Utility District Unlimited Tax Bonds, Series 2018 (\$9,500,000)

(10) Spring Creek Utility District Unlimited Tax Refunding Bonds, Series 2016 (\$7,300,000)

Paying Agent/Registrar

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

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 77,000,000	\$ 0	\$ 4,000,000
Amount Issued:	69,185,000		3,949,308
Remaining to be Issued:	7,815,000		50,692

Net Debt Service Fund deposits and investments balances as of April 30, 2020: \$7,253,255
Average annual debt service payment for remaining term of all debt: 3,304,867

See accompanying independent auditor's report.

SPRING CREEK UTILITY DISTRICT

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED APRIL 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
REVENUES										
Property taxes	\$ 1,730,320	\$ 1,584,905	\$ 1,443,661	\$ 1,323,345	\$ 1,230,746	24.3 %	27.0 %	24.3 %	22.3 %	24.3 %
Water service	1,168,645	905,619	912,620	1,085,817	751,048	16.3	15.5	15.4	18.4	14.8
Sewer service	1,613,649	1,497,074	1,483,775	1,446,580	1,378,728	22.5	25.6	25.0	24.4	27.2
Surface water fees	929,918	879,320	851,162	837,385	706,823	13.0	15.1	14.3	14.2	13.9
Penalty	67,945	57,006	77,196	74,038	71,854	0.9	1.0	1.3	1.3	1.4
Sales and Use Taxes	425,225	377,397	521,021	0	0	5.9	6.5	8.8	0.0	0.0
Tap connection and sewer inspection fees	816,385	185,578	455,635	938,850	765,850	11.4	3.2	7.7	15.9	15.1
Interest on deposits and temporary investments	205,748	174,383	50,228	28,369	18,556	2.9	3.0	0.8	0.5	0.4
Other	198,436	178,176	143,583	175,141	148,416	2.8	3.1	2.4	3.0	2.9
TOTAL REVENUES	7,156,271	5,839,458	5,938,881	5,909,525	5,072,021	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Purchased services	134,199	122,561	213,267	203,768	142,512	1.9	2.1	3.6	3.4	2.8
Professional fees	249,988	291,266	265,869	279,711	296,006	3.5	5.0	4.5	4.7	5.8
Contracted services	335,677	315,907	271,911	281,038	267,414	4.7	5.4	4.6	4.8	5.3
Utilities	200,119	168,799	182,308	176,933	157,283	2.8	2.9	3.1	3.0	3.1
Surface water pumpage fees	904,394	822,936	723,292	790,224	671,965	12.6	14.1	12.1	13.4	13.3
Repairs and maintenance	919,649	802,712	775,912	805,346	747,775	12.9	13.7	13.0	13.6	14.8
Other operating expenditures	203,245	140,472	141,326	226,799	158,413	2.8	2.4	2.4	3.8	3.1
Security service	526,151	336,722	274,895	232,601	47,637	7.4	5.8	4.6	3.9	0.9
Garbage disposal	675,462	633,818	617,215	601,896	618,700	9.4	10.9	10.4	10.2	12.2
Administrative expenditures	255,382	289,022	259,749	192,939	157,699	3.6	4.9	4.4	3.3	3.1
Capital outlay	424,950	2,439,706	881,973	962,172	789,967	5.9	41.8	14.9	16.3	15.6
Debt service principal and interest	177,876	177,877	0	0	0	2.5	3.0	0.0	0.0	0.0
TOTAL EXPENDITURES	5,007,092	6,541,798	4,607,717	4,753,427	4,055,371	70.0	112.0	77.6	80.4	80.0
EXCESS REVENUES (EXPENDITURES)	\$ 2,149,179	\$ (702,340)	\$ 1,331,164	\$ 1,156,098	\$ 1,016,650	30.0 %	(12.0) %	22.4 %	19.6 %	20.0 %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	3,634	3,579	3,521	3,471	3,419					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	3,525	3,518	3,461	3,423	3,377					

SPRING CREEK UTILITY DISTRICT
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND
FOR YEARS ENDED APRIL 30

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
REVENUES										
Property taxes	\$ 4,450,139	\$ 4,079,893	\$ 3,903,231	\$ 3,577,934	\$ 3,327,573	96.4 %	96.0 %	97.9 %	97.5 %	96.6 %
Penalty and interest	47,003	49,841	44,531	64,114	87,628	1.0	1.2	1.1	1.7	2.5
Accrued interest on bonds received at date of sale	13,374	12,674	1,291	13,600	21,121	0.3	0.3	0.1	0.4	0.6
Interest on deposits and investments	107,626	106,700	39,210	14,546	11,342	2.3	2.5	0.9	0.4	0.3
TOTAL REVENUES	<u>4,618,142</u>	<u>4,249,108</u>	<u>3,988,263</u>	<u>3,670,194</u>	<u>3,447,664</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Professional fees	13,635	16,515	14,367	20,796	31,310	0.3	0.4	0.4	0.6	0.9
Contracted services	88,848	89,223	82,924	77,532	71,967	1.9	2.1	2.1	2.1	2.1
Other expenditures	15,340	14,921	14,623	13,424	23,592	0.3	0.4	0.4	0.4	0.7
Debt service:										
Principal retirement	2,060,000	1,820,000	1,815,000	1,445,000	1,140,000	44.6	42.8	45.4	39.4	33.1
Refunding contribution	109,893	0	0	0	0	2.4	0.0	0.0	0.0	0.0
Interest and fees	1,850,522	2,039,101	1,781,721	1,738,558	1,565,338	40.1	48.0	44.7	47.3	45.4
TOTAL EXPENDITURES	<u>4,138,238</u>	<u>3,979,760</u>	<u>3,708,635</u>	<u>3,295,310</u>	<u>2,832,207</u>	<u>89.6</u>	<u>93.7</u>	<u>93.0</u>	<u>89.8</u>	<u>82.2</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 479,904</u>	<u>\$ 269,348</u>	<u>\$ 279,628</u>	<u>\$ 374,884</u>	<u>\$ 615,457</u>	<u>10.4 %</u>	<u>6.3 %</u>	<u>7.0 %</u>	<u>10.2 %</u>	<u>17.8 %</u>

SPRING CREEK UTILITY DISTRICTBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSAPRIL 30, 2020

Complete District Mailing Address: Spring Creek Utility District
c/o Roach & Mitchell, PLLC
2800 Post Oak Blvd., Suite 4100
Houston, Texas 77056

District Business Telephone No.: 832-390-2268

Submission date of the most recent District Registration Form: July 8, 2018

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

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
John Dale Healy 8156 S. Wadsworth Blvd., E-474 Littleton, Colorado 80128	Elected 5/07/16- 5/02/20	\$ 1,650	\$ 0	President
Claude Humbert 29639 Legends Line Drive Spring, Texas 77386	Elected 5/05/18- 5/07/22	4,950	2,668	Vice President
Frederick Sunderman 3646 Fuller Bluff Spring, Texas 77386	Elected 5/05/18- 5/07/22	5,100	678	Secretary
Leslie Gourley 2506 Leichester Drive Spring, Texas 77386	Appointed 7/16/18- 5/07/22	4,950	949	Assistant Secretary
Mark Fusca 2811 Legends Knoll Drive Spring, Texas 77386	Elected 5/07/16- 5/02/20	4,950	2,542	Treasurer

See accompanying independent auditor's report.

SPRING CREEK UTILITY DISTRICTBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)APRIL 30, 2020CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Roach & Associates, PLLC 2800 Post Oak Blvd., Suite 4100 Houston, Texas 77056	8/15/16	\$ 175,980 73,813 Bonds	Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	5/20/03	50,140 2,500 Bonds	Bookkeeper
Municipal Operations & Consulting, Inc. 312 Spring Hill Dr., Suite 100 Spring, Texas 77386	1/01/10	1,173,149	Operator
A&S Engineers, Inc. 10377 Stella Link Road Houston, Texas 77025	5/24/11	125,791	Engineer
ASB Construction Services, Inc. 7118 Durango Creek Drive Magnolia, Texas 77354	6/07/11	79,500	Construction Inspector
Triton Consulting Group 810 S. Mason Road, Suite 309 Katy, Texas 77450	7/21/18	40,241	Communications/ Technology
Mike Arterburn 11500 Northwest Freeway, Suite 465 Houston, Texas 77092	7/28/14	49,974 1,000 Bonds	Tax Assessor- Collector
Montgomery Central Appraisal District P.O. Box 2233 Conroe, Texas 77305	Legislative Action	49,121	Central Appraisal District
Masterson Advisors, LLC 3 Greenway Plaza, Suite 1100 Houston, Texas 77046	5/16/18	76,211 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 1992	12,200 750 Bonds	Independent Auditor

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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