

IN THE OPINION OF BOND COUNSEL, BASED UPON AN ANALYSIS OF EXISTING LAWS, REGULATIONS, RULINGS AND COURT DECISIONS, AND ASSUMING, AMONG OTHER MATTERS, THE ACCURACY OF CERTAIN REPRESENTATIONS AND COMPLIANCE WITH CERTAIN COVENANTS, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986. IN THE FURTHER OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS NOT A SPECIFIC PREFERENCE ITEM FOR PURPOSES OF THE FEDERAL ALTERNATIVE MINIMUM TAX. BOND COUNSEL EXPRESSES NO OPINION REGARDING ANY OTHER TAX CONSEQUENCES RELATED TO THE OWNERSHIP OR DISPOSITION OF, OR THE AMOUNT, ACCRUAL OR RECEIPT OF INTEREST ON, THE BONDS. SEE "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations" herein.

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 497520

RATINGS: Underlying "BBB" (stable outlook) S&P
Insured "AA" (stable outlook) S&P

See "BOND INSURANCE" and "MUNICIPAL BOND RATING" herein

\$2,645,000

KIRK MONT MUNICIPAL UTILITY DISTRICT

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

UNLIMITED TAX REFUNDING BONDS

SERIES 2021

Dated: June 1, 2021

Due: March 1 (as shown below)

Interest on the Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds" or the "Series 2021 Refunding Bonds") will accrue from June 1, 2021, and will be payable on March 1 and September 1 of each year, commencing September 1, 2021. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS – Paying Agent/Registrar." The Bonds will mature in the amounts, on the dates, and will bear interest at the rates and be reoffered as set forth below.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM").



MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>
\$125,000	2022	3.00%	0.41%	\$115,000	2025	3.00%	0.93%
\$115,000	2023	3.00%	0.56%	\$115,000	2026	3.00%	1.05%
\$115,000	2024	3.00%	0.80%	\$140,000	2027 (b)	2.00%	1.17%

\$280,000 2.00% Term Bond Due March 1, 2029 to Yield 1.41% (a) (b) (c)
 \$295,000 2.00% Term Bond Due March 1, 2031 to Yield 1.77% (a) (b) (c)
 \$310,000 2.00% Term Bond Due March 1, 2033 to Yield 2.00% (a) (b) (c)
 \$355,000 2.00% Term Bond Due March 1, 2035 to Yield 2.11% (a) (b) (c)
 \$340,000 2.00% Term Bond Due March 1, 2037 to Yield 2.19% (a) (b) (c)
 \$340,000 2.00% Term Bond Due March 1, 2039 to Yield 2.27% (a) (b) (c)

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after March 1, 2027, are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on March 1, 2026, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds within any one maturity are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity. See "THE BONDS – Optional Redemption."
- (c) Subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Mandatory Redemption."

The proceeds of the Bonds will be used by Kirkmont Municipal Utility District (the "District") to currently refund certain of the District's outstanding bonds (as defined herein) and to pay Bond issuance and administrative expenses. See "PLAN OF FINANCING." The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, or the City of Houston is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain investment considerations described under the caption "RISK FACTORS."**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Norton Rose Fulbright US LLP, Houston, Texas, as Underwriter's Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about June 24, 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 connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not registered or 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, 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 Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056, upon payment of duplication costs.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or 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 their 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. See "OFFICIAL STATEMENT – Updating of Official Statement."

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX C – Specimen Municipal Bond Insurance Policy."

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

UNDERWRITING

Award of the Bonds

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the "Underwriter") pursuant to a proposal submitted to the District at a price of \$2,648,231.85 which represents the principal amount of the Bonds \$2,645,000.00 plus a net original issue premium of \$21,746.85 less an Underwriter's discount of \$18,515.00 plus accrued interest on the Bonds from the Dated Date to the date of delivery. Such price produces a net effective interest rate of 1.977813%.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

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

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

Securities Laws

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

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the District's continuing disclosure obligations because the District has not issued more than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payments of the Bonds. As required by the exemption, in the order authorizing the issuance of the Bonds (the "Bond Order"), the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain financial information and operating data which is customarily prepared by the District and is publicly available, annually to the MSRB through EMMA.

The financial information and operating data which will be provided with respect to the District is found in "APPENDIX A" (Independent Auditor's Report and Financial Statements of the District). The District will update and provide this information to the MSRB through EMMA within six months after the end of each of its fiscal years ending in or after 2021. Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six-month period, and audited financial statements when the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax 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; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the obligated person, any of which reflect financial difficulties. The term "financial obligation" in the immediately preceding paragraphs (15) and (16) means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order make any provisions for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax revenues) to secure payment of the Bonds, or appointment of a trustee. In addition, the District will provide timely notice of any

failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

The District has agreed to provide the foregoing updated information only to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB. The MSRB makes the information available to the public without charge through the EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

MUNICIPAL BOND RATING

In connection with the sale of the Bonds the District made application to S&P Global Ratings ("S&P") which assigned the underlying rating of "BBB" (stable outlook) on the Bonds based upon the District's underlying credit without bond insurance. The underlying rating of the District to be released by S&P will be maintained by S&P. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P, and the District makes no representation as to the appropriateness of such rating. The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

S&P has assigned its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. The District can make no assurance that S&P's rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "BOND INSURANCE."

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Build America Mutual Assurance Company

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$477.7 million, \$156.4 million and \$321.3 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

- Description:** The \$2,645,000 Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds" or the "Series 2021 Refunding Bonds"), are dated June 1, 2021. The Bonds represent the sixth series of bonds to be issued by Kirkmont Municipal Utility District (the "District"). The Bonds mature on March 1 in the years and amounts as shown in the table on the cover page of this Official Statement. The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended; Chapter 1207, Texas Government Code, as amended; an order (the "Bond Order") adopted by the Board of Directors of the District; elections held within the District; and City of Houston Ordinance No. 97-416. See "THE BONDS."
- Redemption Provisions:** The Bonds maturing on or after March 1, 2027, are subject to redemption at the option of the District, prior to maturity, in whole or from time to time in part, on March 1, 2026, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS – Optional Redemption." The Bonds maturing on March 1, 2029, 2031, 2033, 2035, 2037, and 2039 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on March 1 in the years 2028, 2030, 2032, 2034, 2036, and 2038, respectively. See "THE BONDS – Mandatory Redemption."
- Source of Payment:** The Bonds are payable from a continuing direct annual ad valorem tax upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any other political subdivision or agency. See "THE BONDS – Source of and Security for Payment."
- Book-Entry-Only System:** The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
- Plan of Financing:** Proceeds from the sale of the Bonds will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund certain of the District's Unlimited Tax Bonds, Series 2014 in an aggregate principal amount of \$2,515,000 (the "Refunded Bonds") in order to achieve present value savings in the District's debt service expense. See "PLAN OF FINANCING."
- Payment Record:** The District has previously issued five (5) series of bonds since 1973, of which \$3,695,000 principal amount was outstanding as of April 1, 2021 (the "Outstanding Bonds"). The District has never defaulted on the payment of principal of or interest on the Outstanding Bonds. See "DISTRICT DEBT."
- Qualified Tax Exempt Obligations:** The District designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and the District represents that the total amount of tax-exempt bonds (including the Bonds) issued by the District during calendar year 2021 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS – Qualified Tax-Exempt Obligations."
- Municipal Bond Rating:** S&P has assigned an underlying municipal bond rating of "BBB" (stable outlook) to this issue of Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P, and the District makes no representation of the appropriateness of such rating. See "MUNICIPAL BOND RATING."
- Municipal Bond Insurance and Rating:** The scheduled payment of principal of an 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 BAM. S&P has assigned its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. See "BOND INSURANCE" and "APPENDIX C – Specimen Municipal Bond Insurance Policy."
- Legal Opinion:** Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."

- Paying Agent/Registrar:** The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “THE BONDS – Paying Agent/Registrar.”
- Verification Agent:** Robert Thomas CPA, LLC, Minneapolis, Minnesota. See “VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS.”
- Risk Factors:** The Bonds are subject to certain investment considerations, as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned “RISK FACTORS” and “LEGAL MATTERS.”

THE DISTRICT

Description: The District is a municipal utility district created by an order of the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (the “TCEQ”), on August 23, 1972. The District is subject to the jurisdiction of the TCEQ. The District operates pursuant to the authority of Chapters 49 and 54, Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. The District includes approximately 226 acres and is located within Harris County, Texas, and within the exclusive extraterritorial jurisdiction of the City of Houston, Texas (the “City”). The District lies approximately 15 miles south of the City’s central business district and is located approximately one-half mile south and approximately two (2) miles west of the intersection of the Sam Houston Toll Road and Interstate Highway 45. See “THE DISTRICT – Authority” and “– Description and Location.”

Development of the District: The District was developed for single-family residential purposes in the subdivision known as Kirkmont. Substantially all of the District was developed and improved during the 1970’s. As of April 1, 2021, the single-family residential development in the District includes 778 completed homes (approximately 771 of which such homes are occupied), no homes under construction, and no vacant developed lots. No additional building development is anticipated in the District in the future. See “THE DISTRICT – Current Status of Development” and “APPENDIX B – Photographs Taken in The District.”

The System: The District currently receives water from the City’s water supply system. Effective December 3, 1990, the District and Sagemeadow Utility District (“Sagemeadow UD”) entered into an agreement to form the Regional Water Advisory Committee (the “RWAC Agreement”). Under the terms of the RWAC Agreement, the District and Sagemeadow UD share the costs of purchased treated surface water from the City and have shared in the costs of constructing the water transmission facilities, which convey surface water from the City’s facilities to the water supply plants and water distribution facilities of the District and Sagemeadow UD. Pursuant to the RWAC Agreement with the District, Sagemeadow UD operates its two water supply plants, which deliver the treated surface water supplied by the City to Sagemeadow UD’s distribution system and to the District’s distribution system. In addition to its surface water supply system described above, the District maintains a groundwater supply source consisting of a water well at each of its water supply plants described above. The ground water supply source serves as a backup water supply in the event of a disruption of water service from the City. The District has water supply capacity that is more than adequate to service the existing build out of the District.

The District has entered into a Waste Disposal Agreement with the City for wastewater treatment capacity to serve the ultimate requirements of the District. The District is served by the City’s Southeast Wastewater Treatment Plant. Under the terms of the Waste Disposal Agreement with the City, the District has purchased 800 equivalent single-family connections of wastewater treatment capacity, which exceeds the amount of capacity necessary to service the existing build out of the District.

The underground storm sewer facilities that serve the District include curb and gutter streets with underground storm sewers. The District’s storm sewers generally drain in a southeasterly direction into two Harris County Flood Control District earthen channels which in turn drain into Clear Creek. Approximately six (6) acres of developed land within the District lie within the 100-year flood plain as depicted on the Federal Emergency Management Agency’s Flood Insurance Rate Map Panel 48201C1055L, which became effective June 18, 2007. See “THE SYSTEM.”

Infectious Disease Outlook (COVID-19): The World Health Organization declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. Federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas. On March 2, 2021, the Governor issued Executive Order GA-34 whereby he ordered there be no operating limits for any business or other establishment, except in Trauma Service Areas that have had seven consecutive days in which the number of COVID-19 hospitalized

patients as a percentage of total hospital capacity exceeds 15 percent, in which case the county judge may order COVID-19 mitigating measures not to include requiring the use of face coverings. Pursuant to Executive Order GA-34, such COVID-19 mitigating measures would remain in effect until such time as the Trauma Service Area has seven consecutive days in which the number of COVID-19 hospitalized patients as a percentage of total hospital capacity is 15% or less.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available, but are generally as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not necessarily indicative of the economic impact of the Pandemic on the District's financial condition. See "RISK FACTORS – Infectious Disease Outlook (COVID-19)."

SELECTED FINANCIAL INFORMATION
(Unaudited)

2020 Certified Taxable Valuation	\$125,244,012 (a)
Direct Debt	
Remaining Outstanding Bonds	\$1,180,000 (b)
The Bonds	<u>\$2,645,000</u>
Total Direct Debt	\$3,825,000
See "DISTRICT DEBT"	
Estimated Overlapping Debt	<u>\$6,711,985</u> (c)
Direct and Estimated Overlapping Debt	\$10,536,985
Percentage of Direct Debt to:	
2020 Certified Taxable Valuation	3.05%
See "DISTRICT DEBT"	
Percentage of Direct and Estimated Overlapping Debt to:	
2020 Certified Taxable Valuation	8.41%
See "DISTRICT DEBT"	
2020 Tax Rate Per \$100 of Assessed Value	
Debt Service Tax	\$0.25577
Maintenance Tax	\$0.20147
Contract Fire Tax	<u>\$0.08000</u>
Total 2020 Tax Rate	\$0.53724
Cash and Temporary Investment Balances as of April 21, 2021	
General Fund	\$1,461,566 (d)
Debt Service Fund	\$134,503 (e)

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- (a) Represents the 2020 Certified Taxable Value according to data supplied to the District by the Harris County Appraisal District ("HCAD" or the "Appraisal District"). See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
 - (b) Excludes the Refunded Bonds. See "PLAN OF FINANCING – Outstanding Bonds."
 - (c) See "DISTRICT DEBT – Estimated Overlapping Debt."
 - (d) Unaudited figure per the District's records. See "THE SYSTEM – Historical Operations of the System."
 - (e) Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Debt Service Fund. See "DISTRICT TAX DATA – Adequacy of Tax Revenue."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds, plus the debt service on the Series 2021 Refunding Bonds.

<u>Year</u>	<u>Outstanding Debt Service</u>	<u>Less: Debt Service on the Refunded Bonds</u>	<u>Plus: Debt Service on the Series 2021 Refunding Bonds</u>		<u>Total Debt Service</u>
			<u>Principal</u>	<u>Interest</u>	
2021	\$254,943	\$44,331		\$14,688	\$225,300
2022	\$276,068	\$187,163	\$125,000	\$56,875	\$270,780
2023	\$271,818	\$184,163	\$115,000	\$53,275	\$255,930
2024	\$267,443	\$181,163	\$115,000	\$49,825	\$251,105
2025	\$263,193	\$178,163	\$115,000	\$46,375	\$246,405
2026	\$258,818	\$175,163	\$115,000	\$42,925	\$241,580
2027	\$278,880	\$196,788	\$140,000	\$39,800	\$261,892
2028	\$273,349	\$192,881	\$140,000	\$37,000	\$257,468
2029	\$267,661	\$188,819	\$140,000	\$34,200	\$253,042
2030	\$286,412	\$184,600	\$135,000	\$31,450	\$268,262
2031	\$304,068	\$204,788	\$160,000	\$28,500	\$287,780
2032	\$296,099	\$199,444	\$155,000	\$25,350	\$277,005
2033	\$288,037	\$194,006	\$155,000	\$22,250	\$271,281
2034	\$304,474	\$213,116	\$180,000	\$18,900	\$290,258
2035	\$295,411	\$206,772	\$175,000	\$15,350	\$278,989
2036	\$286,021	\$200,100	\$170,000	\$11,900	\$267,821
2037	\$276,256	\$193,100	\$170,000	\$8,500	\$261,656
2038	\$266,443	\$186,100	\$165,000	\$5,150	\$250,493
2039	<u>\$300,768</u>	<u>\$193,800</u>	<u>\$175,000</u>	<u>\$1,750</u>	<u>\$283,718</u>
TOTALS	\$5,316,162	\$3,504,460	\$2,645,000	\$544,063	\$5,000,765

Maximum Annual Debt Service Requirements (2034).....\$290,258

\$0.25 debt service tax rate on the 2020 Certified Taxable Valuation of \$125,244,012
at 95% collections\$297,455

See "DISTRICT TAX DATA – Adequacy of Tax Revenue."

OFFICIAL STATEMENT

relating to

\$2,645,000

KIRK MONT MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Harris County, Texas)

UNLIMITED TAX REFUNDING BONDS
SERIES 2021

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the \$2,645,000 Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds" or the "Series 2021 Refunding Bonds") by Kirkmont Municipal Utility District (the "District").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended; Chapter 1207, Texas Government Code, as amended; an order (the "Bond Order") adopted by the Board of Directors of the District; an election held within the District; and City of Houston Ordinance No. 97-416.

This Official Statement includes descriptions of the Bonds, the Bond Order, certain information about the District, the District's financial condition, and the Developer in the District. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE ONLY SUMMARIES AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel, upon payment of duplication costs thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any other political subdivision, and are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to justify the continued payment of taxes by property owners or that there will be a market for such property.

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 Department of Health and Human Services 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 Executive Order GA-34, such COVID-19 mitigating measures would remain in effect until such time as the Trauma Service Area has seven consecutive days in which the number of COVID-19 hospitalized patients as a percentage of total hospital capacity is 15% or less.

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

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed

to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

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

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

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over 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 spread between the bid and asked price of more traditional issuers, as such bonds are generally bought, sold or traded in the secondary market. See "UNDERWRITING – Prices and Marketability."

Tax Collections

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. 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 (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES – District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond 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 right to seek 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. Even if such sovereign immunity were waived and a judgment against the District for money damages were obtained, the judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a 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 Owners could potentially and adversely impair the value of the Registered Owners' 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 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 the district.

A district cannot be placed into bankruptcy involuntarily.

Approval of the Bonds

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

Economic Factors

The continued maintenance of taxable values in the District is directly related to the housing and building industry. The housing and building industry has historically been a cyclical industry, affected by both short- and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions including the relative price of oil and natural gas. A return to relatively high mortgage interest rates similar to those experienced in the past may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District. Commercial building in the District could also be adversely affected by such economic developments.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for development or building costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The continuation of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

The Houston metropolitan area has, in the past, experienced increased unemployment, business failures and slow absorption of office space. These factors, if they recur, could affect the demand for new residential home construction and commercial development and hence the growth of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon home-building plans altogether.

The housing industry in the Houston area is competitive and the District can give no assurance that current building programs will be completed. The competitive position of the developer in the sale of its developed lots or, respectively, that of present and prospective builders in the construction of single-family residential houses is affected by most of the factors discussed herein. Such a competitive position is directly related to tax revenues to be received by the District and the growth and maintenance of taxable values in the District.

Alternative sites are available for the construction of single-family residential improvements and commercial development within the market area in which the District is located. Such sites could pose competition to the continued home-building development and commercial development on comparable sites within the District.

Potential Effects of Oil Price Declines on the Houston Area

The recent declines in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into

other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values 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.

The Bonds and Potential Impact on District Tax Rates

The District's 2020 debt service tax rate is \$0.25577 per \$100 of assessed valuation.

The 2020 Certified Taxable Valuation of property within the District is \$125,244,012. After issuance of the Bonds, the Maximum Annual Debt Service Requirement is \$290,258 (2034). Assuming no increase or decrease from the 2020 Certified Taxable Valuation, and no use of other District funds, a debt service tax rate of \$0.25 per \$100 of assessed valuation at a 95% collection rate against the 2020 Certified Taxable Valuation would be necessary to pay such Maximum Annual Debt Service Requirement. See "DISTRICT TAX DATA – Adequacy of Tax Revenue."

Overlapping Tax Rates

Consideration should be given to the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. See "DISTRICT DEBT – Estimated Overlapping Debt" and "DISTRICT TAX DATA – Estimated Overlapping Taxes."

Future Debt

The District's voters have authorized the issuance of a total of \$13,930,000 of unlimited tax bonds for the purposes of providing water, sewer, and drainage facilities, as well as \$4,755,000 in bonds for refunding purposes, and the District could authorize additional amounts in the future. The District has \$7,290,000 unlimited tax bonds for water, sewer and drainage facilities and \$4,625,000 in refunding bonds that will remain authorized, but unissued, after the issuance of the Bonds. The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District and may issue refunding bonds without additional elections so long as they do not exceed the principal amount of then outstanding bonds. Any future new money bonds, other than road bonds, to be issued by the District must also be approved by the TCEQ. Such additional new money bonds or refunding bonds would be issued on a parity with the Bonds.

During 2013, the District's voters approved a \$10,000,000 bond election for the purpose of financing water, sewer, and drainage facilities. Such bonds were authorized in part because of engineering studies indicating a need to rehabilitate the District's water distribution system, sanitary sewer collection system, and water supply facilities. Such improvements were required and may continue to be needed, in part, due to the age of certain of the District's facilities, some of which were initially installed during the early 1970's. No precise timing has been established for the issuance of additional bonds. However, the District's Board of Directors has indicated that such necessary improvements will be phased in over time. Given the fact that the District is substantially built out, it is currently anticipated that the issuance of additional bonds in the future, if any, may necessitate an increase in the District's debt service tax rate; such debt service tax rate increases may or may not be offset, in part, by future reductions in the District's future operations and maintenance tax rates.

Financing Parks and Recreational Facilities

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) an election within and for the District for such purpose, and approved by the voters of the District; (c) approval of the park project and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The District has not authorized any park bonds.

In addition, the District may levy an operation and maintenance tax to support recreational facilities at a rate not to exceed \$0.10 per \$100 of assessed valuation of taxable property within the District, after such tax is approved at an election. The District's voters have not authorized an operations and maintenance tax for parks and recreational facilities.

Current law may be changed in a manner to increase the amount of bonds that may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

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 retroactively to the date of original issuance. See "TAX MATTERS."

Environmental and Air Quality Regulations

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

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

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

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

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

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

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

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

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

Water Supply & Discharge Issues. Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water

supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

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

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

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

The District’s stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the “Current Permit”) issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District’s inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop, 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 became 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.

Bond Insurance Risk Factors

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

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

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

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

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

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

Changes in Tax Legislation

Certain tax legislation, if enacted, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, and 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.

2021 Legislative Session

The 87th Regular Legislative Session convened on January 12, 2021, and will conclude on May 31, 2021. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

Severe Weather

The District is located approximately 60 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to 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 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 would be adversely affected.

The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e., "500-year flood" events) since 2015. If the District were to sustain damage to its facilities as a result of such a storm (or any other severe weather event)

requiring substantial repair or replacement, or if substantial damage to taxable property within the District were to occur as a result of a severe weather event, the investment security of the Bonds could be adversely affected.

Specific Flood Risks

The District may be subject to the following flood risks:

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

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

Hurricane Harvey

The Houston area, including Harris County, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to the District's Operator and the District's Engineer, the water, sewer, and drainage facilities serving the land within the District did not sustain any significant damage and there was no interruption of water and sewer service to residents of the District. The District is aware of a number of homes within the District that experienced various amounts of flooding as a result of Hurricane Harvey, but no specific number of such homes is known. To the best of the District's knowledge, substantially all of the homes that experienced flooding as a result of Hurricane Harvey have since been rehabilitated.

Temporary Tax Exemption for Property Damaged by Disaster

The Property Tax Code (hereinafter defined) 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. See "TAXING PROCEDURES."

Tax Payment Installments after Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

Harris County and City of Houston Floodplain Regulations

As a direct result of Hurricane Harvey, Harris County and the City adopted new rules and amended existing regulations relating to minimizing the potential impact of new development on drainage and mitigating flooding risks. The new and amended Harris County regulations took effect on January 1, 2018, and the new and amended City regulations took effect on September 1, 2018.

The Harris County floodplain regulations govern construction projects in unincorporated Harris County and include regulations governing the elevation of structures in the 100-year and 500-year floodplains. Additionally, the Harris County regulations govern the minimum finished floor elevations as well as specific foundation construction requirements and windstorm construction requirements for properties located both above and below the 100-year flood elevation.

The City floodplain regulations govern construction projects in the corporate jurisdiction of the City and include regulations governing the elevation of structures in the 100-year and 500-year floodplains and the elevation of residential additions greater than one-third the footprint of the existing structure and non-residential additions. Additionally, the City regulations require an improved structure whose new market value exceeds 50% of the market value of the structure prior to the start of improvements meet the new and amended regulations of the City.

The new and amended Harris County and City regulations may have a negative impact on new development in and around the District as well as on the rehabilitation of existing homes impacted by flooding or other natural disasters.

Atlas 14

The new and amended Harris County and City regulations may have a negative impact on new development in those subdivisions in the District that are within Harris County or in the City’s extraterritorial jurisdiction. 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 Service Area may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the Service Area. The application of 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.

PLAN OF FINANCING

Purpose

The Bonds are being issued to pay bond issuance and administrative expenses and currently refund \$2,515,000 principal amount of the District’s Unlimited Tax Bonds, Series 2014 (the “Refunded Bonds”). The refunding is being implemented in order to produce present value savings in the District’s annual debt service expense.

The District’s currently Outstanding Bonds (the “Remaining Outstanding Bonds”) totaling \$1,180,000 will remain outstanding after the issuance of the Bonds and the refunding of the Refunded Bonds. All of the Refunded Bonds, which are scheduled to mature in various amounts on March 1 in the years 2022 through 2039, will be redeemed at par in advance of their respective maturities on the date of delivery of the Bonds.

Outstanding Bonds

The table below summarizes the District’s previously issued series of bonds as of April 1, 2021.

<u>Original Principal Amount</u>	<u>Series</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Outstanding After the Bonds</u>
\$1,110,000	1973 (New Money)	\$0	\$0
\$735,000	1976 (New Money)	\$0	\$0
\$575,000	1998 (New Money)	\$0	\$0
\$2,890,000	2014 (New Money)	\$2,515,000	\$0
\$1,330,000	2017 (New Money)	\$1,180,000	\$1,180,000
\$6,640,000		\$3,695,000	\$1,180,000

Refunded Bonds

Proceeds of the Bonds will be applied to currently refund \$2,515,000 in principal amount of the Refunded Bonds. The principal amounts and maturity dates of the Refunded Bonds to be refunded are set out in the table below, all with maturity dates of March 1 in the years shown.

<u>Years</u>	<u>Series 2014 Bonds Principal Amount</u>
2021	-
2022	\$100,000
2023	\$100,000
2024	\$100,000
2025	\$100,000
2026	\$100,000
2027	\$125,000 (a)
2028	\$125,000
2029	\$125,000 (b)
2030	\$125,000
2031	\$150,000 (c)
2032	\$150,000
2033	\$150,000 (d)
2034	\$175,000
2035	\$175,000 (e)
2036	\$175,000
2037	\$175,000 (f)
2038	\$175,000
2039	\$190,000 (g)
	<hr/>
	\$2,515,000

The Refunded Bonds will be called for redemption on June 24, 2021.

- (a) Represents the \$225,000 Term Bond with mandatory sinking fund provisions beginning in 2026 through and including the 2027 maturity.
- (b) Represents the \$250,000 Term Bond with mandatory sinking fund provisions beginning in 2028 through and including the 2029 maturity.
- (c) Represents the \$275,000 Term Bond with mandatory sinking fund provisions beginning in 2030 through and including the 2031 maturity.
- (d) Represents the \$300,000 Term Bond with mandatory sinking fund provisions beginning in 2032 through and including the 2033 maturity.
- (e) Represents the \$350,000 Term Bond with mandatory sinking fund provisions beginning in 2034 through and including the 2035 maturity.
- (f) Represents the \$350,000 Term Bond with mandatory sinking fund provisions beginning in 2036 through and including the 2037 maturity.
- (g) Represents the \$365,000 Term Bond with mandatory sinking fund provisions beginning in 2038 through and including the 2039 maturity.

Defeasance of the Refunded Bonds

By the deposit of cash with the paying agent for the Refunded Bonds, Zions Bancorporation, National Association, Amegy Bank Division (successor to Amegy Bank National Association), the District will have affected the defeasance of the Refunded Bonds pursuant to the terms of the order authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such a deposit, and in reliance upon the verification report of Robert Thomas CPA, LLC, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding.

Sources and Uses of Funds

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

Sources of Funds:	
Principal Amount of the Bonds	\$2,645,000.00
Plus Net Original Issue Premium	\$21,746.85
Plus Accrued Interest	\$3,753.47
Plus District Contribution	\$4,000.00
Total Sources of Funds	<u>\$2,674,500.32</u>

Uses of Funds:	
Deposit to Refund Bonds	\$2,542,830.17
Issuance Expenses (a)	\$109,401.68
Underwriter's Discount	\$18,515.00
Accrued Interest	\$3,753.47
Total Uses of Funds	<u>\$2,674,500.32</u>

(a) Includes municipal bond insurance premium.

THE DISTRICT

Authority

The District is a municipal utility district created by an order of the Texas Water Commission, predecessor to the TCEQ, on August 23, 1972. The District operates pursuant to the authority of Chapters 49 and 54, Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered 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. Additionally, under certain limited circumstances the District also is authorized to construct, develop, and maintain park and recreational facilities.

Description and Location

The District includes approximately 226 acres and is located within Harris County, Texas. The District is located within the exclusive extraterritorial jurisdiction of the City. The District lies approximately 15 miles south of the City's central business district and is located approximately one-half mile south and approximately two (2) miles west of the intersection of the Sam Houston Toll Road and Interstate Highway 45.

Current Status of Development

The District was developed for single-family residential purposes in the subdivision known as Kirkmont. Substantially all of the District was developed and improved during the 1970's. As of April 1, 2021, single-family residential development in the District includes 778 completed homes (approximately 771 of which such homes are occupied), no homes under construction, and no vacant developed lots. No additional building development is anticipated in the District in the future. See "APPENDIX B – Photographs Taken in the District."

THE SYSTEM

Regulation

According to the District's engineer, LJA Engineering, Inc. ("Engineer"), the District's water distribution, wastewater collection, and drainage facilities (the "System") have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City and Harris County. According to the Engineer, the design of all such facilities has been approved by all required governmental agencies, and the construction has been inspected by the TCEQ.

Water System

The District currently receives water from the City's water supply system. Effective December 3, 1990, the District and Sagameadow Utility District ("Sagameadow UD") entered into an agreement to form the Regional Water Advisory Committee (the "RWAC Agreement"). Under the terms of the RWAC Agreement, the District and Sagameadow UD share the costs of

purchased treated surface water from the City and have shared in the costs of constructing the water transmission facilities, which convey surface water from the City's facilities to the water supply plants and water distribution facilities of the District and Sagemeadow UD. Pursuant to the RWAC Agreement with the District, Sagemeadow UD operates its two water supply plants, which deliver the treated surface water supplied by the City to Sagemeadow UD's distribution system and to the District's distribution system.

In addition to its surface water supply system described above, the District maintains a groundwater supply source consisting of a water well at each of its water supply plants described above. The ground water supply source serves as a backup water supply in the event of a disruption of water service from the City. According to the Engineer, the District has water supply capacity that is more than adequate to service the existing build out of the District.

Wastewater System

The District has entered into a Waste Disposal Agreement with the City for wastewater treatment capacity to serve the ultimate requirements of the District. The District is served by the City's Southeast Wastewater Treatment Plant. Under the terms of the Waste Disposal Agreement with the City, the District has purchased 800 equivalent single-family connections of wastewater treatment capacity, which exceeds the amount of capacity necessary to service the existing build out of the District.

Drainage System

The underground storm sewer facilities that serve the District include curb and gutter streets with underground storm sewers. The District's storm sewers generally drain in a southeasterly direction into two Harris County Flood Control District earthen channels which in turn drain into Clear Creek. Approximately six (6) acres of developed land within the District lie within the 100-year flood plain as depicted on the Federal Emergency Management Agency's Flood Insurance Rate Map Panel 48201C1055L, which became effective June 18, 2007.

Historical Operations of the System

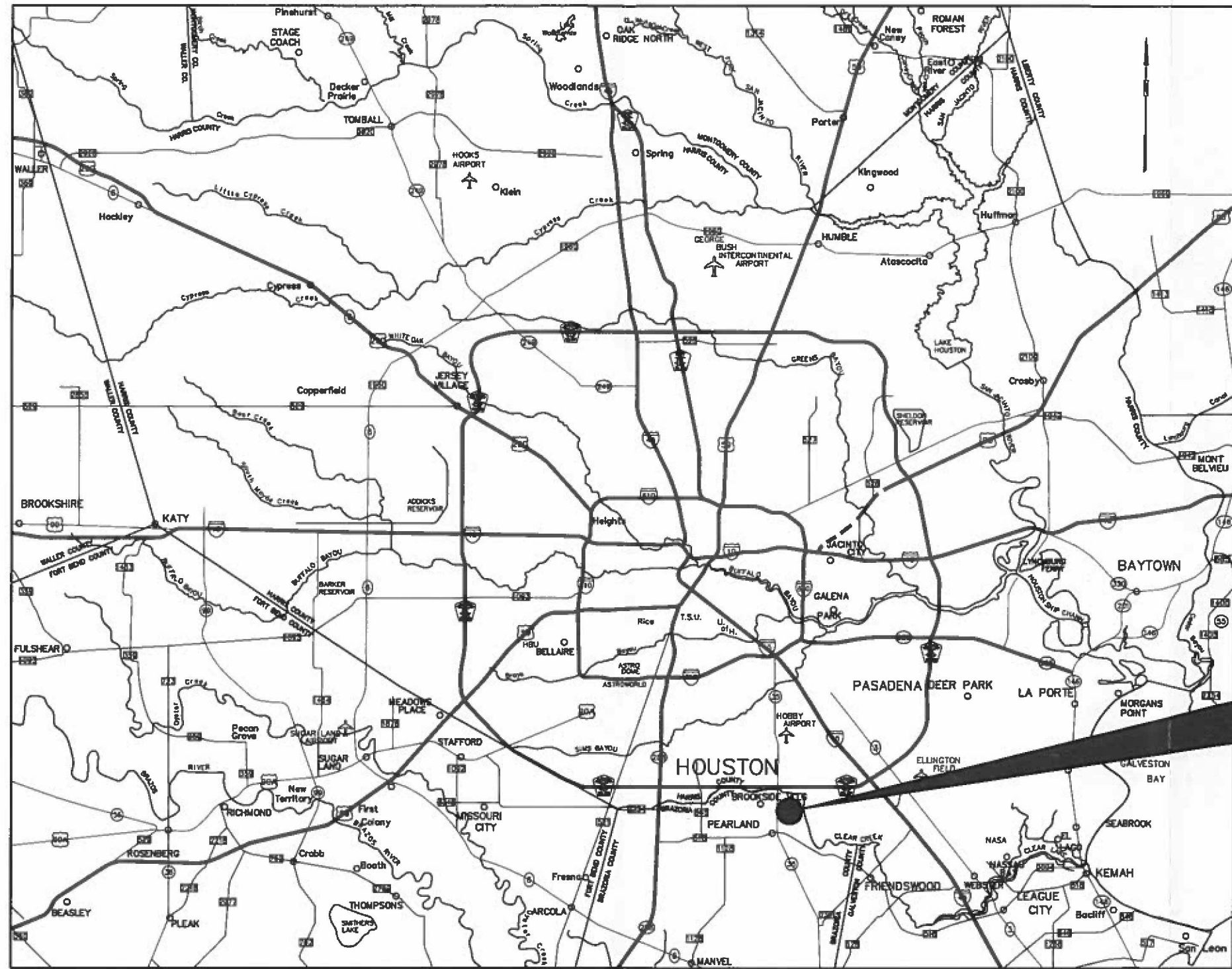
The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The information included in the table below relating to the District's water and sewer system operations is provided for information purposes only.

	Fiscal Year Ended May 31 (a)				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
GENERAL FUND					
REVENUES					
Property taxes	\$334,539	\$310,966	\$317,562	\$313,120	\$316,524
Water service	\$411,584	\$416,710	\$371,596	\$377,470	\$344,206
Sewer service	\$562,139	\$574,990	\$551,304	\$560,834	\$563,682
Penalty and interest	\$20,989	\$26,234	\$26,394	\$24,583	\$24,098
Investment income	\$26,130	\$34,146	\$18,786	\$6,981	\$2,146
TOTAL REVENUES	<u>\$1,355,381</u>	<u>\$1,363,046</u>	<u>\$1,285,642</u>	<u>\$1,282,988</u>	<u>\$1,250,656</u>
EXPENDITURES					
Service operations:					
Purchased services	\$412,009	\$416,851	\$382,788	\$364,406	\$358,447
Professional fees	\$133,323	\$114,264	\$125,708	\$110,374	\$118,586
Contracted services	\$438,161	\$432,606	\$425,011	\$396,936	\$376,125
Utilities	\$11,562	\$14,011	\$22,197	\$22,857	\$22,614
Repairs and maintenance	\$118,645	\$203,487	\$132,361	\$113,453	\$311,530
Other expenditures	\$126,352	\$117,034	\$118,890	\$115,671	\$114,397
Parks and recreation	\$15,352	\$22,566	\$18,812	\$16,171	\$32,454
Capital outlay	\$100,898	\$77,561	-	-	-
Debt service, debt issuance costs	-	-	-	\$20,130	-
TOTAL EXPENDITURES	<u>\$1,356,302</u>	<u>\$1,398,380</u>	<u>\$1,225,767</u>	<u>\$1,159,998</u>	<u>\$1,334,153</u>
OTHER FINANCING SOURCES					
Interfund transfers in	-	-	-	\$33,150	\$51,985
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(\$921)</u>	<u>(\$35,334)</u>	<u>\$59,875</u>	<u>\$156,140</u>	<u>(\$31,512)</u>
BEGINNING OF YEAR BALANCE	<u>\$1,626,906</u>	<u>\$1,662,240</u>	<u>\$1,602,365</u>	<u>\$1,446,225</u>	<u>\$1,477,737</u>
END OF YEAR BALANCE (b)	<u>\$1,625,985</u>	<u>\$1,626,906</u>	<u>\$1,662,240</u>	<u>\$1,602,365</u>	<u>\$1,446,225</u>

(a) Data is taken from District's audited financial statements. See "APPENDIX A – Independent Auditor's Report and Financial Statements of the District."

(b) As of April 21, 2021, the District's General Fund had an unaudited cash and investment balance of approximately \$1,461,566. For the fiscal year ending May 31, 2021, the District's General Fund is currently budgeting revenues of approximately \$1,295,000 and expenditures of approximately \$1,258,000.

VICINITY MAP



PROJECT
LOCATION

VICINITY MAP

SCALE: N.T.S.

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board") which has control over and management supervision of all affairs of the District. All of the directors reside in the District. A directors' election is held within the District in May in even-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board, along with their titles on the Board, are listed below.

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael J. Grizzaffi	President	2022
Lonnie L. Piquiet	Vice President/Assistant Secretary/Treasurer	2024
Deborah Carroll	Secretary/Treasurer	2022
Jean Ann Williams	Assistant Vice President	2024
Carlos Lopez	Director	2022

The District does not employ a general manager or any other full-time employees. The District has contracted for utility system operating, engineering, bookkeeping, tax assessing and collecting services, and annual auditing of its financial statements as follows:

Tax Assessor/Collector – The District's Tax Assessor/Collector is Wheeler & Associates, Inc., who is employed under an annual contract to perform the tax collection functions.

Bookkeeper – The District has contracted with Municipal Business Services, Inc. for bookkeeping services.

Auditor – The financial statements of the District as of May 31, 2020, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Utility System Operator – The District has engaged Municipal District Services to operate and maintain the System.

Engineer – The consulting engineer for the District is LJA Engineering, Inc.

Financial Advisor – The GMS Group, L.L.C., serves as Financial Advisor to the District, and is paid an hourly fee for certain work performed for the District and a contingent fee to be computed on each separate issuance of the bonds, if and when such bonds are delivered.

Bond Counsel – Sanford Kuhl Hagan Kugle Parker Kahn LLP serves as Bond Counsel to the District and as general counsel to the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

DISTRICT INVESTMENT POLICY

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield in its portfolio. Funds of the District are 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.

DISTRICT DEBT

2020 Certified Taxable Valuation	\$125,244,012 (a)
Direct Debt	
Remaining Outstanding Bonds	\$1,180,000 (b)
The Bonds	<u>\$2,645,000</u>
Total Direct Debt	\$3,825,000
Estimated Overlapping Debt	<u>\$6,711,985 (c)</u>
Direct and Estimated Overlapping Debt	\$10,536,985
Percentage of Direct Debt to:	
2020 Certified Taxable Valuation	3.05%
Percentage of Direct and Estimated Overlapping Debt to:	
2020 Certified Taxable Valuation	8.41%
2020 Tax Rate Per \$100 of Assessed Value	
Debt Service Tax	\$0.25577
Maintenance Tax	\$0.20147
Contract Fire Tax	<u>\$0.08000</u>
Total 2020 Tax Rate	\$0.53724
Cash and Temporary Investment Balances as of April 21, 2021	
General Fund	\$1,461,566 (d)
Debt Service Fund	\$134,503 (e)

-
- (a) Represents the 2020 Certified Taxable Value according to data supplied to the District by HCAD. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
 - (b) Excludes the Refunded Bonds. See "PLAN OF FINANCING – Outstanding Bonds."
 - (c) See "Estimated Overlapping Debt" herein.
 - (d) Unaudited figure per the District's records. See "THE SYSTEM – Historical Operations of the System."
 - (e) Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Debt Service Fund. See "DISTRICT TAX DATA – Adequacy of Tax Revenue."

Estimated Overlapping Debt

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Overlapping Debt</u>	
		<u>Overlapping %</u>	<u>Amount</u>
Harris County	\$1,293,922,125	0.02%	\$320,456
Harris County Department of Education	\$20,185,000	0.02%	\$4,940
Harris County Flood Control District	\$334,270,000	0.03%	\$84,429
Harris County Hospital District	\$81,540,000	0.03%	\$20,591
Port of Houston Authority	\$492,439,397	0.03%	\$124,384
Pasadena Independent School District	\$701,105,000	0.73%	\$5,141,903
San Jacinto Community College District	\$529,434,594	0.19%	<u>\$1,015,281</u>
Total Estimated Overlapping Debt			\$6,711,985
The District (a)			<u>\$3,825,000</u>
Total Direct and Estimated Overlapping Debt			\$10,536,985

-
- (a) Includes the Bonds; excludes the Refunded Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax information collection experience of the District for the years 2016 through 2020. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

Tax Year	Taxable Valuation (a)	Tax Rate (b)	Tax Levy	Cumulative Tax Collections (c)	Tax Year Ended September 30
2020	\$125,244,012	\$0.53724	\$672,861	93% (d)	2021
2019	\$117,154,832	\$0.56000	\$656,067	98%	2020
2018	\$106,148,333	\$0.56000	\$594,431	99%	2019
2017	\$103,409,406	\$0.54000	\$558,411	99%	2018
2016	\$93,176,004	\$0.52000	\$484,515	99%	2017

(a) See "Analysis of Tax Base" herein.

(b) See "Tax Rate Distribution" herein.

(c) Represents cumulative tax collections as of March 31, 2021.

(d) The District's 2020 tax levy is in the process of collections; such taxes became delinquent if not paid before February 1, 2021. See "TAXING PROCEDURES."

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters have authorized a maintenance tax of up to \$0.50 per \$100 of assessed valuation at an election held on May 11, 2013. See "Tax Rate Distribution" herein.

Fire Tax

The District has the statutory authority to undertake fire-fighting activities after developing and adopting a fire-fighting plan, which must be then approved by the voters of the District. A fire-fighting plan was approved by the voters of the District on November 4, 1997. In order to finance fire-fighting activities under this plan, the District levied a fire-service contract tax of \$0.08 per \$100 of assessed valuation for the 2020 tax year. See "Tax Rate Distribution" herein.

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all of 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.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2016 through 2020.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Debt Service	\$0.25577	\$0.27000	\$0.26000	\$0.23000	\$0.18000
Maintenance/Operation	\$0.20147	\$0.21000	\$0.22000	\$0.23000	\$0.25000
Contract Fire Tax	<u>\$0.08000</u>	<u>\$0.08000</u>	<u>\$0.08000</u>	<u>\$0.08000</u>	<u>\$0.09000</u>
Total	\$0.53724	\$0.56000	\$0.56000	\$0.54000	\$0.52000

Additional Penalties

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

Principal Taxpayers

The list of principal taxpayers for 2020 and the other information provided by this table were provided by HCAD to the District's Tax Assessor/Collector based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of HCAD.

<u>Property Owner</u>	<u>Property Description</u>	<u>Property Value</u>	<u>Percent of Total</u>
J V & Sons Properties LLC	Land & Improvements	\$1,948,332	1.55%
Centerpoint Energy Hou Ele	Personal Property	\$717,630	0.57%
Comcast of Houston LLC	Personal Property	\$452,580	0.36%
Homeowner	Land & Improvements	\$450,700	0.36%
Centerpoint Energy Entex	Personal Property	\$368,180	0.29%
Homeowner	Land & Improvements	\$355,713	0.28%
Homeowner	Land & Improvements	\$353,215	0.28%
Big Tex Investments LLC	Land & Improvements	\$305,600	0.24%
Homeowner	Land & Improvements	\$272,233	0.22%
Homeowner	Land & Improvements	\$245,050	0.20%
TOTALS		\$5,469,233	4.36%

Analysis of Tax Base

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the exemptions for 2016 through 2020.

<u>Tax Roll Year</u>	<u>Type of Property</u>			<u>Gross Valuations</u>	<u>Exemptions</u>	<u>Taxable Valuations</u>
	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>			
2020	\$34,436,268	\$91,765,781	\$1,977,115	\$128,179,164	\$2,935,152	\$125,244,012
2019	\$28,770,671	\$89,321,539	\$1,984,822	\$120,077,032	\$2,922,200	\$117,154,832
2018	\$28,042,511	\$79,341,955	\$1,858,816	\$109,243,282	\$3,094,949	\$106,148,333
2017	\$28,097,375	\$76,352,592	\$1,698,281	\$106,148,248	\$2,738,842	\$103,409,406
2016	\$27,473,807	\$66,711,401	\$1,731,551	\$95,916,759	\$2,740,755	\$93,176,004

Estimated Overlapping Taxes

The following table sets forth all 2020 taxes levied by overlapping taxing jurisdictions. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

<u>Taxing Entities</u>	<u>2020 Tax Rates</u>
Pasadena Independent School District	\$1.383000
Harris County (a)	\$0.604193
San Jacinto Community College District	\$0.169358
Overlapping Taxes	\$2.156551
The District	\$0.537240
Total Direct & Overlapping Taxes	\$2.693791

(a) Includes the Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and Port of Houston Authority.

Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District's Operating Fund to the Debt Service Fund, and no increase or decrease in assessed valuation over the 2020 Certified Taxable Valuation and utilize a tax rate adequate to service the District's total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2034).....	\$290,258
Requires a \$0.25 debt service tax rate on the 2020 Certified Taxable Valuation at 95% collections.....	\$297,455

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 and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. See "RISK FACTORS – Future Debt." The District agrees in the Bond Order to levy such a tax from year to year as described more fully in this Official Statement under the caption "THE BONDS – Source of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system (see "DISTRICT TAX DATA – Maintenance Tax") and for the payment of certain contractual obligations if authorized by the voters in the District (see "DISTRICT TAX DATA – Fire Tax").

Property Tax Code and County-Wide Appraisal District

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

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; however, no effort is expected to be made by HCAD to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. 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, and travel trailers, to the extent deemed advisable by the Board. The District currently grants, and has granted, an exemption of \$3,000 for persons 65 years and older and a \$3,000 exemption for disabled persons, pursuant to Section 11.13, Texas Tax Code (the "Exemption"). The Exemption is granted from year to year, and future District Boards of Directors may increase or decrease the amount of the Exemption at their discretion. However, the Exemption in no way mitigates the District's unlimited tax pledge that secures the interest and principal payments on the Bonds and the Outstanding bonds. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 of taxable valuation depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value to 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 including the surviving spouse of a disabled veteran who would have qualified for such an exemption if such exemption had been in effect on the date the disabled veteran died. Partially disabled veterans or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. 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.

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 would be transferrable to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions. The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector 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. The District has never adopted an order granting a general residential homestead exemption.

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

Tax Abatement

Harris County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City (after annexation), Harris County, Pasadena Independent School District, or the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, 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 HCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

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. 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 chief 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 for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land and timberland.

The Property Tax Code requires HCAD to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in HCAD 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 District, however, at its expense, has the right to obtain from HCAD a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as HCAD chooses to formally include such values on its appraisal roll.

From time to time the District may be subject to a natural disaster such as a hurricane, tornado, tropical storm or other adverse weather event severely impacting the entire region and resulting in a disaster declaration by the Governor of the State of Texas. See “RISK FACTORS – Severe Weather.” Subject to certain conditions, owners of qualified property in a Governor-declared disaster area are entitled to a temporary property tax exemption, if such qualified property is at least 15 percent damaged, and the owner of such property applies for the exemption within a specified time frame. See “RISK FACTORS – Temporary Tax Exemption for Property Damaged by Disaster.”

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount (not to exceed 20%) established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount (not to exceed 20%) established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent (April 1). Similarly, a delinquent tax on real property incurs such additional penalty on July 1 of the year in which taxes become delinquent. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney not to exceed 20%. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead if the person: (1) has been granted an exemption under Section 11.13, Tax Code, (2) requests an installment agreement, and (3) has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

Delinquent Tax Payments for Disaster Areas

Taxpayers for homesteads and small businesses damaged as a direct result of a disaster may pay property taxes on the property in four equal quarterly installments by notice to the District before the delinquency date without penalty or interest. Installments must be completed within six months of the delinquency date, which normally is February 1 but could be delayed because of delayed valuations. Quarterly payments by a substantial number of owners could adversely affect a District's collection of taxes for debt services in the year following a disaster.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District. A determination as to 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, beginning with the 2020 tax rate. The Board of Directors designated the District as a Developed District for purposes of setting the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new 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 basis with tax liens of other such taxing units. See "DISTRICT TAX DATA – Estimated Overlapping Taxes." 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. 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 and land designated for agricultural use and six months for all other 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 (a taxpayer may redeem property within six months for commercial property, within two years for residence homesteads and land designated for agricultural use and six months for all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. See "RISK FACTORS – Tax Collections."

ANNEXATION AND CONSOLIDATION

Annexation

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

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 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.

THE BONDS

General

The Bond Order authorizes the issuance and sale of the Bonds and prescribes terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District. Set forth below is a summary of certain provisions of the Bond Order. Capitalized terms in such summary are used as defined in the Bond Order. Such summary is not a complete description of the entire Bond Order and is qualified in its entirety by reference to the Bond Order, copies of which are available from the District's Bond Counsel upon request.

The Bonds are dated and will bear interest from June 1, 2021, at the per annum rates shown on the cover page hereof. The Bonds are fully registered, serial bonds maturing on March 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable September 1, 2021, and each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

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

Optional Redemption

The District reserves the right to redeem, prior to maturity the Bonds maturing on or after March 1, 2027, in whole or in part from time to time, on March 1, 2026, or on any date thereafter, at a price of par plus accrued interest to the date of redemption. If fewer than all of the Bonds are to be redeemed, the particular Bonds to be redeemed will be selected by the District. If fewer than all of the Bonds within any one maturity are redeemed, the particular Bonds to be redeemed shall be selected by the Registrar by lot or other random selection method. Notice of each exercise of the right of redemption will be given at least thirty days prior to the date fixed for redemption by mailing written notice by first class mail to each of the Registered Owners (the "Registered Owners") of the Bonds to be redeemed. When Bonds have been called for redemption, they will become due and payable on the redemption date.

Mandatory Redemption

The Bonds maturing on March 1 in the years 2029, 2031, 2033, 2035, 2037, and 2039 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown on the tables below.

\$280,000 Term Bonds, due March 1, 2029

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2028	\$140,000
March 1, 2029 (maturity)	\$140,000

\$295,000 Term Bonds, due March 1, 2031

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2030	\$135,000
March 1, 2031 (maturity)	\$160,000

\$310,000 Term Bonds, due March 1, 2033

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2032	\$155,000
March 1, 2033 (maturity)	\$155,000

\$355,000 Term Bonds, due March 1, 2035

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2034	\$180,000
March 1, 2035 (maturity)	\$175,000

\$340,000 Term Bonds, due March 1, 2037

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2036	\$170,000
March 1, 2037 (maturity)	\$170,000

\$340,000 Term Bonds, due March 1, 2039

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2038	\$165,000
March 1, 2039 (maturity)	\$175,000

Notice of Redemption; Partial Redemption

While the Bonds are in book-entry-only form, pursuant to the Bond Order, the Term Bonds will be scheduled for annual mandatory sinking fund redemption by DTC in accordance with its procedures. If the book-entry-only system is discontinued, the Paying Agent/Registrar shall select by lot the Term Bonds, if any, to be redeemed and issue a notice of redemption in the manner provided below. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, prior to the date of the mailing of notice of such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of each exercise of the right of redemption will be given at least 30 calendar days prior to the date fixed for redemption by the mailing of a notice by the Paying Agent/Registrar to each of the registered owners of the Bonds to be redeemed at the address shown on the records of the Paying Agent/Registrar on the date which is 45 calendar days prior to the redemption date. When Bonds have been called for redemption, the right of the registered owners of such Bonds to collect interest which would otherwise accrue after the date for redemption will be terminated.

The Bonds of a denomination larger than \$5,000 in principal amount may be redeemed in part (\$5,000 in principal or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal.

Source of and Security for Payment

The Bonds are secured by and payable from the levy of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in the District. In the Bond Order, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees, and Appraisal District fees. The Bonds are obligations of the District and are not the obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District.

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 tax 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 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 or a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

Funds

The Bond Order confirms the District's Debt Service Fund, which is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds, and any additional bonds payable from taxes which may be issued in the future by the District. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Registrar.

Paying Agent/Registrar

Pursuant to the Bond Order, the initial paying agent and initial registrar with respect to the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. The District will maintain at least one Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, and for the purpose of maintaining the Bond Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrar and, upon any such change, the District covenants and agrees in the Bond Order to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrar, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Dallas, Texas. See "BOOK-ENTRY-ONLY SYSTEM" below for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) and ending at the close of business on the next succeeding interest payment date or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss, or theft and receipt by the District and the Registrar of security or indemnity as may be required by either of them to keep them harmless. Upon the issuance of a new bond the District will require payment of taxes, governmental charges, and other expenses (including the fees and expenses of the Registrar), bond printing and legal fees in connection with any such replacement.

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 un-matured 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.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ, if required, necessary to provide and rehabilitate improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT – Authority." The District's voters have authorized the issuance of a total of \$13,930,000 of unlimited tax bonds for the purposes of providing water, sewer, and drainage facilities. The District has \$7,290,000 unlimited tax bonds for water, sewer and drainage facilities and \$4,625,000 in refunding bonds that will remain authorized, but unissued, after the issuance of the Bonds. Depending upon the District's future issuance of tax-supported debt and the development of the District's tax base, increases in the District's annual ad valorem tax rate may be required to provide for the payment of principal of and interest on the District's current bonded indebtedness and any future tax-supported debt issued by the District. The Bond Order imposes no limitation on the amount of additional parity bonds that may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ). See "RISK FACTORS – Future Debt."

Amendments to the Bond Order

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 securities representing their ownership interests in Bonds except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

The District may decide to discontinue use of the system of Book-Entry-Only-System transfers through DTC (or a successor securities depository). In that event, securities will be printed and delivered to DTC. The information in this section concerning DTC and DTC's Book-Entry-Only-System has been obtained from sources that the District believes to be reliable; the District, the District's Financial Advisor, and the Underwriter do not take any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

TAX MATTERS

Delivery of the Bonds is subject to an opinion of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel, to the effect that assuming continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of Bonds, pursuant to section 103 of the Internal Revenue Code of 1986 (the "Code"), as amended to the date of issuance of the Bonds, existing regulations, published rulings, and court decisions, interest on the Bonds (1) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, and (2) will not be included in the alternative minimum taxable income of the owners thereof which are individuals. The statutes, regulations, rulings, and court decisions on which the opinion is based are subject to change.

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 Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. 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 under present law or proposed legislation 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 among others, 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 to their particular circumstances.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date 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 opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners 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.

Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly to federal income taxation or state income taxation, or otherwise prevent the beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations, or litigation and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Tax Accounting Treatment of Original Issue 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 Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes; (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.

Tax Accounting Treatment of Original Issue Premium Bonds

Some of the Bonds may be offered at an initial offering price which exceeds the stated redemption price payable at the maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, broker, and similar persons or entities acting in the capacity of wholesales or underwriters) at such initial offering price, each of the Bonds of such maturity (the "Premium Bond") will be considered for federal income tax purposes to have "bond premium" equal to such excess. The basis for federal income tax purposes of a Premium Bond in the hands of an initial purchaser who purchases such Bond in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Bond by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes, for the reduction in basis resulting from amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Bond based on the initial purchaser's original basis in such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Bonds that are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering price for the Bonds of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Bonds should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Bonds.

Qualified Tax-Exempt Obligations

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

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

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

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds. Such transcript will include the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of the Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without limit as to rate or amount, upon all taxable property in the District. The District will also furnish the approving legal opinion of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that: (i) the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, against all taxable property within the District; (ii) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law; and (iii) interest on the Bonds will not be subject to the alternative minimum tax on individuals. Bond Counsel's fees for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds.

Legal Review

In its capacity as Bond Counsel, Sanford Kuhl Hagan Kugle Parker Kahn LLP has reviewed the information appearing in this Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12," "THE DISTRICT – Authority," "TAXING PROCEDURES," "ANNEXATION AND CONSOLIDATION," "THE BONDS," "TAX MATTERS," "LEGAL MATTERS – Legal Opinions" (to the extent such section relates to the opinion of Bond Counsel), and "REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS" solely to determine whether such information fairly summarizes the legal matters and documents referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of any of the other information contained herein. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

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

No Material Adverse Change

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

No-Litigation Certificate

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that there is not pending, and to the knowledge of the District, 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.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

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

VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS

Robert Thomas CPA, LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash deposited to pay the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds, (b) the mathematical computations related to certain requirements of the City of Houston Ordinance No. 97-416, as amended, and (c) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

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

OFFICIAL STATEMENT

Sources of Information

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, and other sources that are believed to be reliable, but no representation is made as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, orders, resolutions and engineering and other related reports set forth in the 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

The GMS Group, L.L.C. 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. In its capacity as Financial Advisor, The GMS Group, L.L.C. has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a 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:

Engineer – The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "THE SYSTEM" and certain engineering matters included in "THE DISTRICT – Description and Location" and "THE DISTRICT – Current Status of Development," have been provided by LJA Engineering, Inc., and have been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector – The information contained in this Official Statement relating to the estimated assessed valuation of property and, in particular, such information contained in the section captioned "DISTRICT TAX DATA," has been provided by HCAD and by Wheeler & Associates, Inc., in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor – The financial statements of the District as of May 31, 2020, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Continuing Availability of Financial Information

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District's audited financial statements are required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas, 77056.

Certification as to Official Statement

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

Updating of Official Statement

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

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Kirkmont Municipal Utility District as of the date shown on the cover page.

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE FISCAL YEAR ENDED MAY 31, 2020

Kirkmont Municipal Utility District

Harris County, Texas

Independent Auditor's Report and Financial Statements

May 31, 2020



Kirkmont Municipal Utility District
May 31, 2020

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Independent Auditor's Report

Board of Directors
Kirkmont Municipal Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Kirkmont Municipal Utility District (the District), as of and for the year ended May 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of May 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule listed in the table of contents 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Houston, Texas
November 25, 2020

Kirkmont Municipal Utility District

Management's Discussion and Analysis

May 31, 2020

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

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, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste 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, liabilities, and deferred inflows and outflows of resources of 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 assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' 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. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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 year.

Kirkmont Municipal Utility District
Management's Discussion and Analysis (Continued)
May 31, 2020

Although the statement of activities looks different from a commercial enterprise's statement of income, 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 Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes 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, sewer and drainage 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 assets, liabilities, and deferred inflows and outflows of resources 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 is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to 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.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Kirkmont Municipal Utility District
Management's Discussion and Analysis (Continued)
May 31, 2020

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

	2020	2019
Current and other assets	\$ 2,393,273	\$ 3,308,834
Capital assets	3,968,536	2,892,321
Total assets	<u>\$ 6,361,809</u>	<u>\$ 6,201,155</u>
Long-term liabilities	\$ 3,720,530	\$ 3,841,992
Other liabilities	355,287	184,669
Total liabilities	<u>4,075,817</u>	<u>4,026,661</u>
Net position:		
Net investment in capital assets	375,093	329,521
Restricted	244,331	182,240
Unrestricted	1,666,568	1,662,733
Total net position	<u>\$ 2,285,992</u>	<u>\$ 2,174,494</u>

The total net position of the District increased by \$111,498, or approximately 5 percent. The majority of the increase in net position is related to property tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-side financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2020	2019
Revenues:		
Property taxes	\$ 655,229	\$ 593,300
Charges for services	973,723	991,700
Other revenues	87,555	109,575
Total revenues	<u>1,716,507</u>	<u>1,694,575</u>

Kirkmont Municipal Utility District
Management's Discussion and Analysis (Continued)
May 31, 2020

Summary of Changes in Net Position (Continued)

	2020	2019
Expenses:		
Services	\$ 1,289,052	\$ 1,351,831
Depreciation	176,788	176,788
Debt service	139,169	142,790
Total expenses	<u>1,605,009</u>	<u>1,671,409</u>
Change in net position	111,498	23,166
Net position, beginning of year	<u>2,174,494</u>	<u>2,151,328</u>
Net position, end of year	<u><u>\$ 2,285,992</u></u>	<u><u>\$ 2,174,494</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended May 31, 2020, were \$1,978,594, a decrease of \$1,101,670 from the prior year.

The general fund's fund balance decreased by \$921, primarily due to service operation and capital outlay expenditures in excess of property taxes and service revenues.

The debt service fund's fund balance increased by \$30,181 because property tax revenues generated were greater than bond principal and interest requirements and contracted service expenditures.

The capital projects fund's fund balance decreased by \$1,130,930, primarily due to capital outlay expenditures related to the water plant rehabilitation project in excess of investment income.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property tax revenues and contracted services expenditures being higher than anticipated as well as repairs and maintenance expenditures being lower than anticipated. In addition, capital outlay expenditures were not budgeted in the current year. The fund balance as of May 31, 2020, was expected to be \$1,651,906 and the actual end-of-year fund balance was \$1,625,985.

Capital Assets and Related Debt

Capital Assets

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

Kirkmont Municipal Utility District
Management's Discussion and Analysis (Continued)
May 31, 2020

Capital Assets (Net of Accumulated Depreciation)

	2020	2019
Land and improvements	\$ 199,573	\$ 199,573
Construction in progress	1,330,564	77,561
Buildings	35,546	41,470
Parks and recreation	54,669	72,892
Water facilities	173,967	184,361
Wastewater facilities	2,174,217	2,316,464
Total capital assets	\$ 3,968,536	\$ 2,892,321

During the current year, additions to capital assets were as follows:

Construction in progress relating to the rehabilitation of water plant No. 1, booster pump upgrades and emergency generator	\$ 1,253,003
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Debt

The changes in the debt position of the District during the fiscal year ended May 31, 2020, are summarized as follows:

Long-term debt payable, beginning of year	\$ 3,841,992
Change in long-term debt	(121,462)
Long-term debt payable, end of year	\$ 3,720,530

At May 31, 2020, the District had \$7,290,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

The District's bonds carry an underlying rating of "BBB" from Standard & Poor's. The District's Series 2014 and 2017 bonds carry a rating of "AA" from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Kirkmont Municipal Utility District
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets						
Cash	\$ -	\$ 84,748	\$ 1,737	\$ 86,485	\$ -	\$ 86,485
Short-term investments	1,696,780	64,139	304,406	2,065,325	-	2,065,325
Receivables:						
Property taxes	40,583	30,105	-	70,688	-	70,688
Service accounts (less allowance for uncollectible accounts of \$21,000)	136,610	-	-	136,610	-	136,610
Due from others	1,350	-	-	1,350	-	1,350
Accrued penalty and interest	-	-	-	-	21,659	21,659
Interfund receivable	11,985	-	-	11,985	(11,985)	-
Prepaid expenditures	11,156	-	-	11,156	-	11,156
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	199,573	199,573
Construction in progress	-	-	-	-	1,330,564	1,330,564
Infrastructure	-	-	-	-	2,348,184	2,348,184
Buildings	-	-	-	-	35,546	35,546
Parks and recreation	-	-	-	-	54,669	54,669
 Total assets	 <u>\$ 1,898,464</u>	 <u>\$ 178,992</u>	 <u>\$ 306,143</u>	 <u>\$ 2,383,599</u>	 <u>\$ 3,978,210</u>	 <u>\$ 6,361,809</u>

Kirkmont Municipal Utility District
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
May 31, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	\$ 107,216	\$ 2,003	\$ 30,828	\$ 140,047	\$ -	\$ 140,047
Accrued interest payable	-	-	-	-	32,955	32,955
Retainage payable	-	-	57,605	57,605	-	57,605
Deficit cash	68,076	-	-	68,076	-	68,076
Customer deposits	56,604	-	-	56,604	-	56,604
Interfund payable	-	11,985	-	11,985	(11,985)	-
Long-term liabilities:						
Due within one year	-	-	-	-	125,000	125,000
Due after one year	-	-	-	-	3,595,530	3,595,530
Total liabilities	<u>231,896</u>	<u>13,988</u>	<u>88,433</u>	<u>334,317</u>	<u>3,741,500</u>	<u>4,075,817</u>
Deferred Inflows of Resources						
Deferred property tax revenues	<u>40,583</u>	<u>30,105</u>	<u>0</u>	<u>70,688</u>	<u>(70,688)</u>	<u>0</u>
Fund Balances/Net Position						
Fund balances:						
Nonspendable, prepaid expenditures	11,156	-	-	11,156	(11,156)	-
Restricted:						
Unlimited tax bonds	-	134,899	-	134,899	(134,899)	-
Water, sewer and drainage	-	-	217,710	217,710	(217,710)	-
Unassigned	<u>1,614,829</u>	<u>-</u>	<u>-</u>	<u>1,614,829</u>	<u>(1,614,829)</u>	<u>-</u>
Total fund balances	<u>1,625,985</u>	<u>134,899</u>	<u>217,710</u>	<u>1,978,594</u>	<u>(1,978,594)</u>	<u>0</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,898,464</u>	<u>\$ 178,992</u>	<u>\$ 306,143</u>	<u>\$ 2,383,599</u>		
Net position:						
Net investment in capital assets					375,093	375,093
Restricted for debt service					153,708	153,708
Restricted for capital projects					90,623	90,623
Unrestricted					<u>1,666,568</u>	<u>1,666,568</u>
Total net position					<u>\$ 2,285,992</u>	<u>\$ 2,285,992</u>

Kirkmont Municipal Utility District
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended May 31, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 334,539	\$ 309,179	\$ -	\$ 643,718	\$ 11,511	\$ 655,229
Water service	411,584	-	-	411,584	-	411,584
Sewer service	562,139	-	-	562,139	-	562,139
Penalty and interest	20,989	15,437	-	36,426	3,043	39,469
Investment income	26,130	781	21,175	48,086	-	48,086
	<u>1,355,381</u>	<u>325,397</u>	<u>21,175</u>	<u>1,701,953</u>	<u>14,554</u>	<u>1,716,507</u>
Total revenues						
Expenditures/Expenses						
Service operations:						
Purchased services	412,009	-	-	412,009	-	412,009
Professional fees	133,323	4,975	-	138,298	-	138,298
Contracted services	438,161	18,142	-	456,303	-	456,303
Utilities	11,562	-	-	11,562	-	11,562
Repairs and maintenance	118,645	-	-	118,645	-	118,645
Other expenditures	126,352	10,531	-	136,883	-	136,883
Parks and recreation	15,352	-	-	15,352	-	15,352
Capital outlay	100,898	-	1,152,105	1,253,003	(1,253,003)	-
Depreciation	-	-	-	-	176,788	176,788
Debt service:						
Principal retirement	-	125,000	-	125,000	(125,000)	-
Interest and fees	-	136,568	-	136,568	2,601	139,169
	<u>1,356,302</u>	<u>295,216</u>	<u>1,152,105</u>	<u>2,803,623</u>	<u>(1,198,614)</u>	<u>1,605,009</u>
Total expenditures/expenses						
Excess (Deficiency) of Revenues						
Over Expenditures	(921)	30,181	(1,130,930)	(1,101,670)	1,101,670	
Change in Net Position						
					111,498	111,498
Fund Balances/Net Position						
Beginning of year	<u>1,626,906</u>	<u>104,718</u>	<u>1,348,640</u>	<u>3,080,264</u>	<u>-</u>	<u>2,174,494</u>
End of year	<u>\$ 1,625,985</u>	<u>\$ 134,899</u>	<u>\$ 217,710</u>	<u>\$ 1,978,594</u>	<u>\$ 0</u>	<u>\$ 2,285,992</u>

Kirkmont Municipal Utility District
Notes to Financial Statements
May 31, 2020

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Kirkmont Municipal Utility District (the District) was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective August 23, 1972, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District. The District also contracts for solid waste and fire protection services.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-wide and Fund Financial Statements

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, such as the provision of water, wastewater, drainage and other related services. 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 with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

Kirkmont Municipal Utility District

Notes to Financial Statements

May 31, 2020

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Kirkmont Municipal Utility District
Notes to Financial Statements
May 31, 2020

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Kirkmont Municipal Utility District
Notes to Financial Statements
May 31, 2020

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of Estimates

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

Investments and Investment Income

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

Kirkmont Municipal Utility District
Notes to Financial Statements
May 31, 2020

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended May 31, 2020, include collections during the current period or within 60 days of year-end related to the 2019 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended May 31, 2020, the 2019 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Buildings	40
Parks and recreation	15

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

Kirkmont Municipal Utility District
Notes to Financial Statements
May 31, 2020

In the fund financial statements, governmental fund types recognize bond premiums and discounts on bonds 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 debt service expenditures.

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 3,968,536
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	70,688
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	21,659
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(32,955)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(3,720,530)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ 307,398</u></u>

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because of the following.

Kirkmont Municipal Utility District
Notes to Financial Statements
May 31, 2020

Change in fund balances.	\$ (1,101,670)
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense in the current period.	1,076,215
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	125,000
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.	14,554
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 governmental funds.	<u>(2,601)</u>
Change in net position of governmental activities.	<u><u>\$ 111,498</u></u>

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At May 31, 2020, \$188,978 of the District's bank balances were exposed to custodial credit risk as uninsured and uncollateralized deposits.

Kirkmont Municipal Utility District
Notes to Financial Statements
May 31, 2020

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of State of Texas has oversight of TexPool.

At May 31, 2020, the District had the following investments and maturities:

Type	Maturities in Years				
	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
TexPool	\$ 2,065,325	\$ 2,065,325	\$ 0	\$ 0	\$ 0

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2020, the District's investments in TexPool were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheet and statement of net position at May 31, 2020, as follows.

Kirkmont Municipal Utility District
Notes to Financial Statements
May 31, 2020

Carrying value:		
Deposits	\$	86,485
Investments		<u>2,065,325</u>
Total	\$	<u><u>2,151,810</u></u>

Investment Income

Investment income of \$48,086 for the year ended May 31, 2020, consisted of interest income.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended May 31, 2020, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	\$ 199,573	\$ -	\$ 199,573
Construction in progress	<u>77,561</u>	<u>1,253,003</u>	<u>1,330,564</u>
Total capital assets, non-depreciable	<u>277,134</u>	<u>1,253,003</u>	<u>1,530,137</u>
Capital assets, depreciable:			
Water production and distribution facilities	752,905	-	752,905
Wastewater collection and treatment facilities	3,116,122	-	3,116,122
Buildings	236,969	-	236,969
Parks and recreation	<u>273,344</u>	<u>-</u>	<u>273,344</u>
Total capital assets, depreciable	<u>4,379,340</u>	<u>0</u>	<u>4,379,340</u>
Less accumulated depreciation:			
Water production and distribution facilities	(568,544)	(10,394)	(578,938)
Wastewater collection and treatment facilities	(799,658)	(142,247)	(941,905)
Buildings	(195,499)	(5,924)	(201,423)
Parks and recreation	<u>(200,452)</u>	<u>(18,223)</u>	<u>(218,675)</u>
Total accumulated depreciation	<u>(1,764,153)</u>	<u>(176,788)</u>	<u>(1,940,941)</u>
Total governmental activities, net	<u><u>\$ 2,892,321</u></u>	<u><u>\$ 1,076,215</u></u>	<u><u>\$ 3,968,536</u></u>

Kirkmont Municipal Utility District
Notes to Financial Statements
May 31, 2020

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended May 31, 2020, were as follows:

Governmental Activities	Balances, Beginning of Year	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:				
General obligation bonds	\$ 3,945,000	\$ 125,000	\$ 3,820,000	\$ 125,000
Less discounts on bonds	103,008	3,538	99,470	-
Total governmental activities long-term liabilities	<u>\$ 3,841,992</u>	<u>\$ 121,462</u>	<u>\$ 3,720,530</u>	<u>\$ 125,000</u>

General Obligation Bonds

	Series 2014	Series 2017
Amounts outstanding, May 31, 2020	\$2,590,000	\$1,230,000
Interest rates	3.00% to 4.00%	2.00% to 3.75%
Maturity dates, serially beginning/ending	March 1, 2021/2039	March 1, 2021/2039
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	March 1, 2021	March 1, 2022

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at May 31, 2020:

Year	Principal	Interest	Total
2021	\$ 125,000	\$ 131,819	\$ 256,819
2022	150,000	128,069	278,069
2023	150,000	124,069	274,069
2024	150,000	119,568	269,568
2025	150,000	115,319	265,319
2026-2030	875,000	504,155	1,379,155
2031-2035	1,175,000	334,155	1,509,155
2036-2039	1,045,000	104,932	1,149,932
Total	<u>\$ 3,820,000</u>	<u>\$ 1,562,086</u>	<u>\$ 5,382,086</u>

Kirkmont Municipal Utility District
Notes to Financial Statements
May 31, 2020

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

Bonds voted	\$ 13,930,000
Bonds sold	6,640,000
Refunding bonds voted	4,755,000

Note 5: Significant Bond Resolution and Commission Requirements

The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended May 31, 2020, the District levied an ad valorem debt service tax at the rate of \$0.2700 per \$100 of assessed valuation, which resulted in a tax levy of \$316,147 on the taxable valuation of \$117,092,289 for the 2019 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are \$258,693 of which \$192,784 has been paid and \$65,909 is due on September 1, 2020.

Note 6: Maintenance Taxes

At an election held May 11, 2013, voters authorized a maintenance tax not to exceed \$0.50 per \$100 valuation on all property within the District subject to taxation. During the year ended May 31, 2020, the District levied an ad valorem maintenance tax at the rate of \$0.2100 per \$100 of assessed valuation, which resulted in a tax levy of \$245,893 on the taxable valuation of \$117,092,289 for the 2019 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Fire Service Contract Taxes

At an election held November 3, 1998, voters authorized a contract fire service tax on all property within the District subject to taxation. During the year ended May 31, 2020, the District levied an ad valorem contract tax at the rate of \$0.0800 per \$100 of assessed valuation, which resulted in a tax levy of \$93,674 on the taxable valuation of \$117,092,289 for the 2019 tax year. This is being used by the general fund to finance the District's obligation arising from its contract with the volunteer fire department. During the current year, the District paid the volunteer fire department \$65,115.

Note 8: Contracts With Other Governmental Units

On April 14, 1998, the District and the City of Houston (the City) entered into an agreement for the treatment and disposition of waste collected by the District. The contract shall be in force for a term of 40 years. The contract specifies a monthly wholesale sewer service charge as established by the City. During the current year, the District was billed \$94,328 for monthly services charges.

Kirkmont Municipal Utility District
Notes to Financial Statements
May 31, 2020

Note 9: Surface Water Supply Contract

On December 3, 1990, the District and Sagemeadow Utility District (Sagemeadow) entered into an agreement to form the Regional Water Advisory Committee (the Advisory Committee). Under the terms of the agreement, the districts share the costs of purchased treated surface water from the City and have constructed connection facilities, which permit the conveyance of surface water to the water supply systems of the districts. The Advisory Committee is composed of members selected from the Board of both the District and Sagemeadow.

Construction costs of the connection facilities have been shared equally between the District and Sagemeadow. The District has contributed approximately \$55,213 for its share of construction costs.

During the current year, the District incurred costs of \$317,681 for purchased water from the City.

Note 10: Risk Management

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

Note 11: Uncertainties

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position and results of operations of the District. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Required Supplementary Information

Kirkmont Municipal Utility District
Budgetary Comparison Schedule - General Fund
Year Ended May 31, 2020

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 230,000	\$ 334,539	\$ 104,539
Water service	425,000	411,584	(13,416)
Sewer service	580,000	562,139	(17,861)
Penalty and interest	30,000	20,989	(9,011)
Investment income	30,000	26,130	(3,870)
	<u>1,295,000</u>	<u>1,355,381</u>	<u>60,381</u>
Expenditures			
Service operations:			
Purchased services	420,000	412,009	7,991
Professional fees	131,500	133,323	(1,823)
Contracted services	371,900	438,161	(66,261)
Utilities	25,000	11,562	13,438
Repairs and maintenance	168,100	118,645	49,455
Other expenditures	131,500	126,352	5,148
Capital outlay	-	100,898	(100,898)
Parks and recreation	22,000	15,352	6,648
	<u>1,270,000</u>	<u>1,356,302</u>	<u>(86,302)</u>
Excess (Deficiency) of Revenues Over Expenditures	25,000	(921)	(25,921)
Fund Balance, Beginning of Year	<u>1,626,906</u>	<u>1,626,906</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,651,906</u>	<u>\$ 1,625,985</u>	<u>\$ (25,921)</u>

Kirkmont Municipal Utility District
Notes to Required Supplementary Information
May 31, 2020

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2020.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule - General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Other Information

Kirkmont Municipal Utility District
Other Schedules Included Within This Report
May 31, 2020

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 11-22
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel and Consultants

Kirkmont Municipal Utility District

Schedule of Services and Rates

Year Ended May 31, 2020

1. Services provided by the District:

<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 checked="" 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):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 24.71	5,000	N	\$ 3.20	5,001 to 18,000
				\$ 4.11	18,001 to 30,000
				\$ 4.41	30,001 to No Limit

Wastewater: \$ 45.53 10,000 Y *

Regional water fee: \$ 0

Does the District employ winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage (including fees): Water \$ 40.71 Wastewater \$ 45.53

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC**</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	772	750	x1.0	750
1"	-	-	x2.5	-
1 1/2"	2	2	x5.0	10
2"	3	2	x8.0	16
3"	1	1	x15.0	15
4"	-	-	x25.0	-
6"	1	1	x50.0	50
8"	2	2	x80.0	160
10"	-	-	x115.0	-
Total water	781	758		1,001
Total wastewater	779	778	x1.0	778

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	78,644
Gallons billed to customers:	75,934
Water accountability ratio (gallons billed/gallons pumped):	96.55%

*For gallons over 10,000, minimum charge is \$46.90, \$48.31 or \$49.75 depending on water usage.

**"ESFC" means equivalent single-family connections

Kirkmont Municipal Utility District
Schedule of General Fund Expenditures
Year Ended May 31, 2020

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$ 17,900		
Legal	114,523		
Engineering	-		
Financial advisor	<u>900</u>		133,323
Purchased Services for Resale			
Bulk water and wastewater service purchases			412,009
Regional Water Fee			-
Contracted Services			
Bookkeeping	23,403		
General manager	-		
Appraisal district	-		
Tax collector	-		
Security	95,692		
Other contracted services	<u>150,105</u>		269,200
Utilities			11,562
Repairs and Maintenance			118,645
Administrative Expenditures			
Directors' fees	36,000		
Office supplies	10,030		
Insurance	13,551		
Other administrative expenditures	<u>66,771</u>		126,352
Capital Outlay			
Capitalized assets	100,898		
Expenditures not capitalized	<u>-</u>		100,898
Tap Connection Expenditures			-
Solid Waste Disposal			103,846
Fire Fighting			65,115
Parks and Recreation			15,352
Other Expenditures			<u>-</u>
Total expenditures			<u>\$ 1,356,302</u>

Kirkmont Municipal Utility District
Schedule of Temporary Investments
May 31, 2020

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
TexPool	0.23%	Demand	\$ 1,696,780	\$ -
Debt Service Fund				
TexPool	0.23%	Demand	64,139	-
Capital Projects Fund				
TexPool	0.23%	Demand	<u>304,406</u>	<u>-</u>
Totals			<u>\$ 2,065,325</u>	<u>\$ 0</u>

Kirkmont Municipal Utility District
Analysis of Taxes Levied and Receivable
Year Ended May 31, 2020

	Maintenance Taxes	Contract Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 26,796	\$ 9,031	\$ 23,350
Additions and corrections to prior years' taxes	(200)	(72)	(213)
Adjusted receivable, beginning of year	<u>26,596</u>	<u>8,959</u>	<u>23,137</u>
2019 Original Tax Levy	212,839	81,082	273,650
Additions and corrections	<u>33,054</u>	<u>12,592</u>	<u>42,497</u>
Adjusted tax levy	<u>245,893</u>	<u>93,674</u>	<u>316,147</u>
Total to be accounted for	272,489	102,633	339,284
Tax collections: Current year	(231,813)	(88,310)	(298,045)
Prior years	<u>(10,630)</u>	<u>(3,786)</u>	<u>(11,134)</u>
Receivable, end of year	<u><u>\$ 30,046</u></u>	<u><u>\$ 10,537</u></u>	<u><u>\$ 30,105</u></u>
Receivable, by Years			
2019	\$ 14,080	\$ 5,364	\$ 18,102
2018	4,161	1,513	4,918
2017	2,546	886	2,547
2016	2,426	873	1,746
2015	2,050	683	1,329
2014	1,727	588	1,279
2013	2,824	545	-
2012	<u>232</u>	<u>85</u>	<u>184</u>
Receivable, end of year	<u><u>\$ 30,046</u></u>	<u><u>\$ 10,537</u></u>	<u><u>\$ 30,105</u></u>

Kirkmont Municipal Utility District
Analysis of Taxes Levied and Receivable (Continued)
Year Ended May 31, 2020

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Property Valuations				
Land	\$ 28,770,671	\$ 28,042,511	\$ 28,097,375	\$ 27,473,807
Improvements	89,332,686	79,341,955	76,319,154	66,685,425
Personal property	1,950,617	1,767,871	1,513,950	1,501,994
Exemptions	<u>(2,961,685)</u>	<u>(2,945,042)</u>	<u>(2,456,701)</u>	<u>(2,356,134)</u>
 Total property valuations	 <u>\$ 117,092,289</u>	 <u>\$ 106,207,295</u>	 <u>\$ 103,473,778</u>	 <u>\$ 93,305,092</u>
 Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.2700	\$ 0.2600	\$ 0.2300	\$ 0.1800
Contract tax rates	0.0800	0.0800	0.0800	0.0900
Maintenance tax rates*	<u>0.2100</u>	<u>0.2200</u>	<u>0.2300</u>	<u>0.2500</u>
 Total tax rates per \$100 valuation	 <u>\$ 0.5600</u>	 <u>\$ 0.5600</u>	 <u>\$ 0.5400</u>	 <u>\$ 0.5200</u>
 Tax Levy	 <u>\$ 655,714</u>	 <u>\$ 594,756</u>	 <u>\$ 558,755</u>	 <u>\$ 485,183</u>
 Percent of Taxes Collected to				
Taxes Levied**	<u>94%</u>	<u>98%</u>	<u>98%</u>	<u>98%</u>

*Maximum tax rate approved by voters: \$0.50 on May 11, 2013

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

Kirkmont Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years
May 31, 2020

Due During Fiscal Years Ending May 31	Series 2014		
	Principal Due March 1	Interest Due September 1, March 1	Total
2021	\$ 75,000	\$ 90,913	\$ 165,913
2022	100,000	88,663	188,663
2023	100,000	85,663	185,663
2024	100,000	82,662	182,662
2025	100,000	79,662	179,662
2026	100,000	76,662	176,662
2027	125,000	73,662	198,662
2028	125,000	69,912	194,912
2029	125,000	65,850	190,850
2030	125,000	61,788	186,788
2031	150,000	57,412	207,412
2032	150,000	52,162	202,162
2033	150,000	46,725	196,725
2034	175,000	41,288	216,288
2035	175,000	34,942	209,942
2036	175,000	28,600	203,600
2037	175,000	21,600	196,600
2038	175,000	14,600	189,600
2039	190,000	7,600	197,600
Totals	<u>\$ 2,590,000</u>	<u>\$ 1,080,366</u>	<u>\$ 3,670,366</u>

Kirkmont Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2020

Due During Fiscal Years Ending May 31	Series 2017		
	Principal Due March 1	Interest Due September 1, March 1	Total
2021	\$ 50,000	\$ 40,906	\$ 90,906
2022	50,000	39,406	89,406
2023	50,000	38,406	88,406
2024	50,000	36,906	86,906
2025	50,000	35,657	85,657
2026	50,000	34,406	84,406
2027	50,000	32,907	82,907
2028	50,000	31,281	81,281
2029	50,000	29,656	79,656
2030	75,000	28,031	103,031
2031	75,000	25,594	100,594
2032	75,000	22,969	97,969
2033	75,000	20,344	95,344
2034	75,000	17,719	92,719
2035	75,000	15,000	90,000
2036	75,000	12,281	87,281
2037	75,000	9,563	84,563
2038	75,000	6,750	81,750
2039	105,000	3,938	108,938
Totals	<u>\$ 1,230,000</u>	<u>\$ 481,720</u>	<u>\$ 1,711,720</u>

Kirkmont Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2020

Due During Fiscal Years Ending May 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 125,000	\$ 131,819	\$ 256,819
2022	150,000	128,069	278,069
2023	150,000	124,069	274,069
2024	150,000	119,568	269,568
2025	150,000	115,319	265,319
2026	150,000	111,068	261,068
2027	175,000	106,569	281,569
2028	175,000	101,193	276,193
2029	175,000	95,506	270,506
2030	200,000	89,819	289,819
2031	225,000	83,006	308,006
2032	225,000	75,131	300,131
2033	225,000	67,069	292,069
2034	250,000	59,007	309,007
2035	250,000	49,942	299,942
2036	250,000	40,881	290,881
2037	250,000	31,163	281,163
2038	250,000	21,350	271,350
2039	295,000	11,538	306,538
Totals	\$ 3,820,000	\$ 1,562,086	\$ 5,382,086

Kirkmont Municipal Utility District
Changes in Long-term Bonded Debt
Year Ended May 31, 2020

	Bond Issues		
	Series 2014	Series 2017	Totals
Interest rates	3.00% to 4.00%	2.00% to 3.75%	
Dates interest payable	September 1/ March 1	September 1/ March 1	
Maturity dates	March 1, 2021/2039	March 1, 2021/2039	
Bonds outstanding, beginning of current year	\$ 2,665,000	\$ 1,280,000	\$ 3,945,000
Retirements, principal	<u>75,000</u>	<u>50,000</u>	<u>125,000</u>
Bonds outstanding, end of current year	<u>\$ 2,590,000</u>	<u>\$ 1,230,000</u>	<u>\$ 3,820,000</u>
Interest paid during current year	<u>\$ 93,163</u>	<u>\$ 42,406</u>	<u>\$ 135,569</u>
Paying agent's name and address:			
	Series 2014 - Amegy Bank National Association, Houston, Texas		
	Series 2017 - Amegy Bank National Association, Houston, Texas		
Bond authority:	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	<u>\$ 13,930,000</u>	<u>0</u>	<u>\$ 4,755,000</u>
Amount issued	<u>\$ 6,640,000</u>	<u>0</u>	<u>\$ -</u>
Remaining to be issued	<u>\$ 7,290,000</u>	<u>0</u>	<u>\$ 4,755,000</u>
Debt service fund cash and temporary investment balances as of May 31, 2020:			<u>\$ 148,887</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 283,268</u>

Kirkmont Municipal Utility District
Comparative Schedule of Revenues and Expenditures - General Fund
Five Years Ended May 31,

	Amounts				
	2020	2019	2018	2017	2016
General Fund					
Revenues					
Property taxes	\$ 334,539	\$ 310,966	\$ 317,562	\$ 313,120	\$ 316,524
Water service	411,584	416,710	371,596	377,470	344,206
Sewer service	562,139	574,990	551,304	560,834	563,682
Penalty and interest	20,989	26,234	26,394	24,583	24,098
Investment income	26,130	34,146	18,786	6,981	2,146
Total revenues	<u>1,355,381</u>	<u>1,363,046</u>	<u>1,285,642</u>	<u>1,282,988</u>	<u>1,250,656</u>
Expenditures					
Service operations:					
Purchased services	412,009	416,851	382,788	364,406	358,447
Professional fees	133,323	114,264	125,708	110,374	118,586
Contracted services	438,161	432,606	425,011	396,936	376,125
Utilities	11,562	14,011	22,197	22,857	22,614
Repairs and maintenance	118,645	203,487	132,361	113,453	311,530
Other expenditures	126,352	117,034	118,890	115,671	114,397
Parks and recreation	15,352	22,566	18,812	16,171	32,454
Capital outlay	100,898	77,561	-	-	-
Debt service, debt issuance costs	-	-	-	20,130	-
Total expenditures	<u>1,356,302</u>	<u>1,398,380</u>	<u>1,225,767</u>	<u>1,159,998</u>	<u>1,334,153</u>
Excess (Deficiency) of Revenues Over Expenditures	(921)	(35,334)	59,875	122,990	(83,497)
Other Financing Sources					
Interfund transfers in	-	-	-	33,150	51,985
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	(921)	(35,334)	59,875	156,140	(31,512)
Fund Balance, Beginning of Year	<u>1,626,906</u>	<u>1,662,240</u>	<u>1,602,365</u>	<u>1,446,225</u>	<u>1,477,737</u>
Fund Balance, End of Year	<u>\$ 1,625,985</u>	<u>\$ 1,626,906</u>	<u>\$ 1,662,240</u>	<u>\$ 1,602,365</u>	<u>\$ 1,446,225</u>
Total Active Retail Water Connections	<u>758</u>	<u>765</u>	<u>767</u>	<u>769</u>	<u>766</u>
Total Active Retail Wastewater Connections	<u>778</u>	<u>764</u>	<u>765</u>	<u>764</u>	<u>762</u>

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
24.8 %	22.8 %	24.7 %	24.4 %	25.3 %
30.4	30.6	28.9	29.4	27.5
41.6	42.2	42.9	43.7	45.1
1.3	1.9	2.0	1.9	1.9
1.9	2.5	1.5	0.6	0.2
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
30.4	30.6	29.7	28.4	28.7
9.8	8.4	9.8	8.6	9.5
32.3	31.7	33.1	30.9	30.1
0.9	1.0	1.7	1.8	1.8
8.8	14.6	10.3	8.8	24.9
9.3	8.9	9.2	9.0	9.1
1.1	1.7	1.5	1.3	2.6
7.5	5.7	-	-	-
-	-	-	1.6	-
<u>100.1</u>	<u>102.6</u>	<u>95.3</u>	<u>90.4</u>	<u>106.7</u>
<u>(0.1) %</u>	<u>(2.6) %</u>	<u>4.7 %</u>	<u>9.6 %</u>	<u>(6.7) %</u>

Kirkmont Municipal Utility District
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended May 31,

	Amounts				
	2020	2019	2018	2017	2016
Debt Service Fund					
Revenues					
Property taxes	\$ 309,179	\$ 268,591	\$ 233,169	\$ 164,663	\$ 153,040
Penalty and interest	15,437	7,745	7,697	7,897	23,678
Investment income	781	1,277	931	455	131
Total revenues	<u>325,397</u>	<u>277,613</u>	<u>241,797</u>	<u>173,015</u>	<u>176,849</u>
Expenditures					
Current:					
Professional fees	4,975	1,979	1,546	2,664	6,485
Contracted services	18,142	17,606	18,974	16,740	16,474
Other expenditures	10,531	11,427	7,543	11,216	10,965
Debt service:					
Principal retirement	125,000	125,000	75,000	75,000	-
Interest and fees	136,568	140,319	136,646	100,414	100,412
Total expenditures	<u>295,216</u>	<u>296,331</u>	<u>239,709</u>	<u>206,034</u>	<u>134,336</u>
Excess (Deficiency) of Revenues Over Expenditures	30,181	(18,718)	2,088	(33,019)	42,513
Fund Balance, Beginning of Year	<u>104,718</u>	<u>123,436</u>	<u>121,348</u>	<u>154,367</u>	<u>111,854</u>
Fund Balance, End of Year	<u>\$ 134,899</u>	<u>\$ 104,718</u>	<u>\$ 123,436</u>	<u>\$ 121,348</u>	<u>\$ 154,367</u>

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
94.8 %	96.7 %	96.4 %	95.2 %	86.5 %
5.0	2.8	3.2	4.6	13.4
0.2	0.5	0.4	0.2	0.1
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
1.5	0.7	0.6	1.5	3.7
5.6	6.3	7.9	9.7	9.3
3.2	4.1	3.1	6.5	6.2
38.4	45.0	31.0	43.4	-
<u>42.0</u>	<u>50.6</u>	<u>56.5</u>	<u>58.0</u>	<u>56.8</u>
<u>90.7</u>	<u>106.7</u>	<u>99.1</u>	<u>119.1</u>	<u>76.0</u>
<u>9.3 %</u>	<u>(6.7) %</u>	<u>0.9 %</u>	<u>(19.1) %</u>	<u>24.0 %</u>

**Kirkmont Municipal Utility District
Board Members, Key Personnel and Consultants
Year Ended May 31, 2020**

Complete District mailing address:	Kirkmont Municipal Utility District c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP 1980 Post Oak Boulevard, Suite 1380 Houston, Texas 77056
District business telephone number:	713.850.9000
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 17, 2018
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Michael J. Grizzaffi	Elected 05/18- 05/22	\$ 7,200	\$ 1,565	President
Lonnie L. Piquiet	Elected 05/16- 05/20**	7,200	1,220	Vice President
Deborah Carroll	Elected 05/18- 05/22	7,200	1,565	Secretary/ Treasurer
Jean Ann Williams	Elected 05/16- 05/20**	7,200	725	Assistant Vice President
Gordon Bevill, Jr.	Elected 05/18- 05/22	7,200	1,566	Assistant Secretary/ Treasurer

*Fees are the amounts actually paid to a director during the District's fiscal year.
**May 2020 director election was deferred until November 2020.

Kirkmont Municipal Utility District
Board Members, Key Personnel and Consultants (Continued)
Year Ended May 31, 2020

Consultants	Date Hired	Fees and Expense Reimbursements	Title
BKD, LLP	07/17/85	\$ 17,900	Auditor
The GMS Group, L.L.C.	07/21/99	900	Financial Advisor
Harris County Appraisal District	Legislative Action	4,596	Appraiser
LJA Engineering & Surveying, Inc.	10/15/03	100,898	Engineer
Municipal Business Services, Inc.	11/03/10	23,403	Bookkeeper
Municipal District Services, L.L.C.	03/19/08	227,978	Operator
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	02/19/97	4,975	Delinquent Tax Attorney
Sanford Kuhl Hagan Kugle Parker Kahn LLP	09/07/88	114,523	Attorney
Wheeler & Associates, Inc.	03/23/73	22,997	Tax Assessor/ Collector
Investment Officer			
Deborah Carroll	05/17/00	N/A	Director

APPENDIX B

PHOTOGRAPHS TAKEN IN THE DISTRICT







APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN