

OFFICIAL STATEMENT DATED JUNE 15, 2021

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

The District has designated the Bonds as "qualified tax-exempt obligations." See "TAX MATTERS - Qualified Tax-Exempt Obligations."

NEW ISSUE - Book-Entry Only

**Ratings: S&P Global Ratings (AGM Insured).... "AA" (stable outlook)
S&P Global Ratings (Underlying).... "A" (stable outlook)
See "BOND INSURANCE" and "RATINGS" herein**

**\$3,015,000
CYPRESSWOOD UTILITY DISTRICT
(A Political Subdivision of the State of Texas located within Harris County, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2021**

Dated: July 1, 2021

**Due: September 1, as shown
on the inside cover**

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from July 1, 2021, and is payable on September 1, 2021 (two-month interest payment), and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

The Bonds, including the Term Bonds, maturing on and after September 1, 2027, are subject to redemption prior to maturity at the option of Cypresswood Utility District (the "District"), as a whole or in part, on September 1, 2026, or 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. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS – Book-Entry- Only System."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer").



See Maturity Schedule on the inside cover

The proceeds of the sale of the Bonds, plus certain other lawfully available funds of the District, will be applied to refund certain outstanding bonds of the District and to pay the costs of issuance of the Bonds. See "PLAN OF FINANCING — Use of Bond Proceeds." The Bonds, when issued, constitute valid and legally binding obligations of the District, payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS – Source of Payment."

The Bonds, when issued, constitute valid and binding obligations of the District, and are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS – Source of Payment." Neither the State of Texas, the City of Houston, Texas, Harris County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Houston, Texas, or Harris County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Bonds are offered subject to prior sale, when, as and if issued by the District, subject among other things to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., Houston, Texas. Delivery of the Bonds in book-entry form through DTC is expected on or about July 15, 2021.

SAMCO CAPITAL MARKETS

RBC CAPITAL MARKETS

MATURITY SCHEDULE

CUSIP Prefix (a): 232807

\$855,000 Serial Bonds

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>
2021	\$35,000	2.00%	0.24%	GJ0
2022	85,000	2.00	0.36	GK7
2023	90,000	2.00	0.50	GL5
2024	95,000	3.00	0.70	GM3
2025	100,000	3.00	0.85	GN1
2026	105,000	3.00	1.00	GP6
2027 ^(c)	110,000	2.00	1.11	GQ4
2028 ^(c)	115,000	2.00	1.22	GR2
2029 ^(c)	120,000	2.00	1.33	GS0

\$260,000 Term Bonds, Due September 1, 2031(c)(d), CUSIP Suffix GU5 (a), Interest Rate 2.00% (Yield 1.61%)(b)

\$285,000 Term Bonds, Due September 1, 2033(c)(d), CUSIP Suffix GW1 (a), Interest Rate 2.00% (Yield 1.76%)(b)

\$305,000 Term Bonds, Due September 1, 2035(c)(d), CUSIP Suffix GY7 (a), Interest Rate 2.00% (Yield 1.96%)(b)

\$335,000 Term Bonds, Due September 1, 2037(c)(d), CUSIP Suffix HA8 (a), Interest Rate 2.00% (Yield 2.05%)(b)

\$365,000 Term Bonds, Due September 1, 2039(c)(d), CUSIP Suffix HC4 (a), Interest Rate 2.00% (Yield 2.13%)(b)

\$610,000 Term Bonds, Due September 1, 2042(c)(d), CUSIP Suffix HF7 (a), Interest Rate 2.00% (Yield 2.24%)(b)

- (a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor (as defined herein), nor the Underwriters (as defined herein) take any responsibility for the accuracy of CUSIP numbers.
- (b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriters. Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriters for public offerings, and which subsequently may be changed. Accrued interest from July 1, 2021, is to be added to the price.
- (c) Subject to optional redemption as described on the front cover.
- (d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under the caption "THE BONDS - Redemption Provisions."

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

All of the summaries of the statutes, orders, resolutions, contracts, audited financial statements, and engineering and other related reports set forth in the 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 Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027 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 this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in the Official Statement until delivery of the Bonds to the Underwriters (as defined herein), and thereafter only as described under "OFFICIAL STATEMENT - Updating of Official Statement."

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have 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.

Neither the District nor the Underwriters make any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "INVESTMENT CONSIDERATIONS" in this Official Statement, as well as additional factors beyond the District's control. The important investment considerations and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

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

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

SAMCO Capital Markets, LLC and RBC Capital Markets, LLC (“RBC”) (together referred to herein as the “Underwriters”) have agreed, pursuant to a Bond Purchase Agreement, to purchase the Bonds from the District for \$3,010,003.95 (an amount equal to the principal amount of the Bonds, less an Underwriters’ discount of \$23,637.60, plus a net original issue premium on the Bonds of \$18,641.55), plus accrued interest on the Bonds to the date of delivery. The obligation of the Underwriters to purchase the Bonds is subject to the conditions contained in the Bond Purchase Agreement. The Underwriters 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 Underwriters.

RBC has provided the following information for inclusion in this Official Statement: RBC and its respective affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBC and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBC and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the District. RBC and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District. RBC and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

Prices and Marketability

The delivery of the Bonds is conditioned upon certain terms and conditions set forth in the Bond Purchase Agreement, including, among other things, the receipt by the District of a certificate executed and delivered by the Underwriters on or before the date of delivery of the Bonds stating the prices at which a substantial amount 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 Underwriters regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Underwriters at the yields specified on the cover page. Information concerning reoffering yields or prices is the responsibility of the Underwriters.

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

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon 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 acts of any other jurisdictions. 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 should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

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

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

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

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Capitalization of AGM

At March 31, 2021:

- The policyholders' surplus of AGM was approximately \$2,805 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$959 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,121 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Merger of MAC into AGM

On April 1, 2021, MAC was merged into AGM, with AGM as the surviving company. Prior to that merger transaction, MAC was an indirect subsidiary of AGM (which indirectly owned 60.7% of MAC) and AGM's affiliate, Assured Guaranty Corp., a Maryland-domiciled insurance company ("AGC") (which indirectly owned 39.3% of MAC). In connection with the merger transaction, AGM and AGC each reassumed the remaining outstanding par they ceded to MAC in 2013, and AGC sold its indirect share of MAC to AGM. All of MAC's direct insured par exposures have become insured obligations of AGM.

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021).

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

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

Miscellaneous Matters

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

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 Policy for such payments.

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

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

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

RATINGS

S&P Global Ratings (“S&P”) is a business unit of Standard & Poor’s Financial Services LLC. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present S&P assigns long-term debt ratings with symbols “AAA” (the highest rating) through “D” (the lowest ratings).

The Bonds are expected to receive an insured rating of “AA” (stable outlook) from S&P based upon the issuance of the Policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by S&P is “A” (stable outlook).

An explanation of the significance of the foregoing ratings may only be obtained from S&P. The foregoing ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P, if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any ratings assigned the Bonds other than the ratings of S&P.

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 BONDS

The Issuer	Cypresswood Utility District (the “District”), a political subdivision of the State of Texas, is located in Harris County, Texas, and within the extraterritorial jurisdiction of the City of Houston. See “THE DISTRICT.”
The Issue.....	Cypresswood Utility District Unlimited Tax Refunding Bonds, Series 2021, in the aggregate principal amount of \$3,015,000 are dated July 1, 2021. Interest accrues from July 1, 2021, and is payable on September 1, 2021 (two-month interest payment), and on each March 1 and September 1 thereafter until maturity or prior redemption. An aggregate of \$855,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2021 through 2029, both inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$2,160,000 of the Bonds are issued as term bonds (collectively, the “Term Bonds”), maturing on September 1 in each of the years 2031, 2033, 2035, 2037, 2039 and 2042, in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds, including the Term Bonds, scheduled to mature on and after September 1, 2027, are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2026, or on any date thereafter at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. In addition to being subject to optional redemption, the Term Bonds are also subject to mandatory sinking fund redemption on September 1 in the years and in the amounts as is more completely described in this Official Statement under the caption “THE BONDS - Redemption Provisions - Mandatory Redemption.” The Bonds will be issued pursuant to a Bond Resolution (the “Bond Resolution”) adopted by the Board of Directors of the District. The Bonds are being issued under the authority of Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended.
Book-Entry-Only System.....	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), 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 (hereinafter defined) 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 “THE BONDS - Book-Entry-Only System”).

Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See “THE BONDS - Source of Payment,” “TAX DATA - Tax Rate Calculations,” and “INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates.” The Bonds are obligations of the District, and are not obligations of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any entity other than the District.
Other Characteristics	The Bonds are issued in fully registered form, without coupons, in the denomination of \$5,000 each, or any integral multiple thereof.
Use of Bond Proceeds.....	Proceeds of the sale of the Bonds, together with other lawfully available funds of the District, will be applied to refund \$2,845,000 in principal amount of the District's Unlimited Tax Bonds, Series 2012 (the “Series 2012 Bonds”). The Series 2012 Bonds that are being refunded by the Bonds are hereinafter referred to as the “Refunded Bonds.” The proceeds of the sale of the Bonds will also be used to pay the costs of issuance of the Bonds. The Refunded Bonds will be redeemed on their redemption date, at a price equal to the principal amount thereof plus accrued interest from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas (the “Paying Agent for the Refunded Bonds”). The sale of the Bonds and the refunding of the Refunded Bonds will (i) reduce the District's debt service payments, and (ii) provide present value savings in the District's debt service.
Payment Record.....	The District has previously issued Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1972, Series 1973, Series 1974, Series 1979, Series 1985, the Series 2012 Bonds and Unlimited Tax Bonds, Series 2018. Collective reference is made in this Official Statement to all of such bonds previously issued by the District as the “Prior Bonds.” The District has never defaulted in the timely payment of principal of or interest on the Prior Bonds. Prior to the issuance of the Bonds, the principal amount of the Prior Bonds that has not been previously retired by the District is \$6,610,000 (the “Outstanding Bonds”). After issuance of the Bonds, the aggregate principal amount of the District's Outstanding Bonds not heretofore paid by the District, less the Refunded Bonds, will be \$3,765,000 (the “Remaining Outstanding Bonds”) and the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be \$6,780,000. In addition to the components of the System the District has financed with the proceeds of the sale of the Prior Bonds, the District will finance its cost of acquiring, constructing or improving the System, and other facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See “THE BONDS - Authority for Issuance,” and - “Issuance of Additional Debt,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Qualified Tax-Exempt Obligations	The District has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS - Qualified Tax-Exempt Obligations.”
Authorized But Unissued Bonds.....	\$25,030,000 bonds for waterworks, wastewater and drainage facilities and refunding purposes will remain authorized but unissued after issuance of the Bonds. See “THE BONDS - Authority for Issuance” and - “Issuance of Additional Debt,” “THE SYSTEM” and “INVESTMENT CONSIDERATIONS -Future Debt.”
Municipal Bond Insurance	Assured Guaranty Municipal Corp. (“AGM”). See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS.”
Municipal Bond Rating	S&P Global Ratings (AGM Insured) “AA” (stable outlook). S&P Global Ratings (Underlying) “A” (stable outlook). See “BOND INSURANCE” and “RATINGS.”
Legal Opinions.....	Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See “LEGAL MATTERS.”
Verification Agent	Robert Thomas CPA, LLC. See “VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS.”

THE DISTRICT

Description	The District is a political subdivision of the State of Texas, created by House Bill 1619 of the 62nd Legislature of the State of Texas, Regular Session, 1971, pursuant to Article XVI, Section 59 of the Texas Constitution. The District contains approximately 437.82 acres of land. The District is located entirely within Harris County, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the “City”), approximately 26.5 miles north-northwest of the central business district of the City. The District is bordered on the north by Louetta Road and on the west by Kuykendahl Road. The District lies wholly within the Klein Independent School District. See “THE DISTRICT - General” and - “Description,” and “APPENDIX A - LOCATION MAP.”
Authority.....	The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT - General.”
Development of the District.....	The development of all of the land located within the District is complete. Such development includes the completion of an aggregate of 1,363 single-family residential lots on all of which single-family residences have been constructed and sold to home purchasers. Such 1,363 single-family residences are located in Cypressdale, Sections 1 through 5, Cypresswood, Sections 4 through 6 and 10, Preserves at Cypresswood, and Cypress Villas. Such eleven platted sections contain an aggregate of approximately 375 acres of

land. In addition to the aforementioned residential development, the District also contains unrestricted reserves aggregating approximately 19.39 acres which have been developed for commercial, public and/or multi-family residential usage. According to the District's Engineer, underground water, sewer and drainage facilities and street paving to serve all of such unrestricted reserves have been constructed to the perimeters of all tracts which they serve. Above-ground commercial improvements totaling approximately 66,272 square feet of building area, including an approximately 6,696 square foot restaurant, two office buildings totaling approximately 23,154 square feet of space, an approximately 6,072 square foot Kidz Klub Academy daycare, an approximately 2,156 square foot Mr. Sticker auto center, three retail centers totaling approximately 26,268 square feet of space, and an approximately 1,926 square foot Trailer Connection have been constructed on approximately 4.12 acres of such reserves. A total of 347 multi-family units have been constructed within the District, including the 144-unit Oak Falls Apartments constructed on approximately 9.18 acres, the 125-unit Applewood Village Apartments constructed on approximately 4.3 acres, the 30-unit Paseo Nuevo Apartments constructed on approximately 2 acres of such reserves, and 48 four-plex residential units. In addition, the Klein Independent School District has constructed the Strack Intermediate School and the Benford Elementary School on approximately 34.82 acres located within the District. The remaining acres within the District are located within certain major thoroughfare or drainage channel rights-of-way, sites on which District facilities are located, or are otherwise not available for development. The District financed its cost of the construction or acquisition of water supply and distribution, wastewater collection and treatment, and storm drainage facilities (the "System") to serve its development with portions of the proceeds of the sale of the Prior Bonds. The District will finance its cost of acquiring, constructing or improving the System, and other facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future.

Infectious Disease Outbreak (COVID-19) ...

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. As described herein under "INVESTMENT CONSIDERATIONS - Infectious Disease Outbreak (COVID-19)," federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas.

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 conditions and financial markets worldwide and within Texas.

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

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

INVESTMENT CONSIDERATIONS

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

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2020 Assessed Valuation.....	\$ 208,310,945 (a)
(As of January 1, 2020)	
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt:	
Remaining Outstanding Bonds	\$ 3,765,000
The Bonds	<u>3,015,000</u>
Total	\$ 6,780,000 (b)
Estimated Overlapping Debt	\$ <u>10,769,976</u>
Total Direct and Estimated Overlapping Debt	\$ 17,549,976
Direct Debt Ratio	
: as a percentage of 2020 Assessed Valuation.....	3.25 %
Direct and Overlapping Debt Ratio	
: as a percentage of 2020 Assessed Valuation.....	8.42 %
Debt Service Fund Balance Estimated as of the Date of Delivery of the Bonds	\$ 541,581 (c)
General Fund Balance as of April 16, 2021.....	\$ 3,660,816
2020 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax.....	\$ 0.200
Maintenance Tax.....	<u>0.143</u>
Total	\$ 0.343 (d)
Average Percentage of Total Tax Collections (2010-2019) as of March 31, 2021	99.77 %
Percentage of Tax Collections of 2020 Levy as of March 31, 2021	
(In process of collection)	95.70 %
Average Annual Debt Service Requirements on the Bonds and the	
Remaining Outstanding Bonds (2021-2042).....	\$ 415,763
Maximum Annual Debt Service Requirements on the Bonds and the	
Remaining Outstanding Bonds (2038).....	\$ 435,000
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual	
Debt Service Requirements on the Bonds and the Remaining Outstanding Bonds	
(2021-2042) at 95% Tax Collections	
Based Upon 2020 Assessed Valuation.....	\$ 0.22
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual	
Debt Service Requirements on the Bonds and the Remaining Outstanding Bonds	
(2038) at 95% Tax Collections	
Based Upon 2020 Assessed Valuation.....	\$ 0.22

Number of Single Family Residences (all completed and sold to home purchasers) 1,363
as of April 1, 2021

66,272 Total Square Feet of Commercial Improvements

347 Total Multi-Family Units (299 apartments, 48 four-plex units)

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- (a) As of January 1, 2020, and comprises the District's 2020 tax roll. All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
- (b) See "DISTRICT DEBT." In addition to the components of the System the District has financed with the proceeds of the sale of the Prior Bonds, the District will finance its cost of acquiring, constructing or improving the System, and other facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM."
- (c) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. Such fund balance reflects the timely payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2021, and the contribution by the District of \$1,000 to the refunding of the Refunded Bonds. The District's remaining debt service payments for 2021, which are due on September 1, 2021, total \$271,963, and consist of the payment of principal of and interest on the Remaining Outstanding Bonds and a two-month interest payment and a principal payment on the Bonds.
- (d) The District levied a debt service tax in the amount of \$0.20 per \$100 of Assessed Valuation and a maintenance tax of \$0.143 per \$100 of Assessed Valuation for 2020. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2020 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2020 rate, is \$2.525627. Such aggregate levies are within the range of the aggregate levies of municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

\$3,015,000
CYPRESSWOOD UTILITY DISTRICT
UNLIMITED TAX REFUNDING BONDS
SERIES 2021

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Cypresswood Utility District (the “District”) of its Unlimited Tax Refunding Bonds, Series 2021 (the “Bonds”). The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended, and Chapter 1207, Texas Government Code, as amended, City of Houston Ordinance No. 97-416, an election held within the District and a resolution authorizing issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”).

Included in this Official Statement are descriptions of the Bonds, the plan of financing, and certain information about the District and its finances. 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 Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

THE BONDS

General

The Bonds are dated and bear interest from July 1, 2021, with interest payable on September 1, 2021 (two-month interest payment), and on each March 1 and September 1 thereafter until maturity or prior redemption. The Bonds are issued in fully registered form, without coupons, in the denominations of \$5,000 each, or any integral multiple thereof. An aggregate of \$855,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2021 through 2029, both inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$2,160,000 of the Bonds are issued as term bonds (collectively, the “Term Bonds”), maturing on September 1 in each of the years 2031, 2033, 2035, 2037, 2039 and 2042, in the principal amounts set forth on the inside cover page of this Official Statement. Principal of the Bonds will be payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas, or any successor paying agent/registrar (the “Paying Agent,” “Paying Agent/Registrar,” or “Registrar”). Interest on the Bonds will be payable by check or draft, dated as of the interest payment date, and mailed by the Registrar to Registered Owners as shown on the records of the Registrar (“Registered Owners”) at the close of business on the 15th calendar day of the month next preceding the interest payment date (the “Record Date”).

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

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

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

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

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

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

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

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

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

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

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

Assignments, Transfers and Exchanges

In the event the Book-Entry-Only System is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. Any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three business days after the receipt of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. 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 to keep them harmless. The District will require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Redemption Provisions

Mandatory Redemption

The Term Bonds maturing on September 1 in each of the years 2031, 2033, 2035, 2037, 2039 and 2042 shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below).

\$260,000 Term Bonds Maturing on September 1, 2031

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2030	\$130,000
September 1, 2031 (maturity)	130,000

\$285,000 Term Bonds Maturing on September 1, 2033

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2032	\$140,000
September 1, 2033 (maturity)	145,000

\$305,000 Term Bonds Maturing on September 1, 2035

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2034	\$150,000
September 1, 2035 (maturity)	155,000

\$335,000 Term Bonds Maturing on September 1, 2037

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2036	\$165,000
September 1, 2037 (maturity)	170,000

\$365,000 Term Bonds Maturing on September 1, 2039

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2038	\$180,000
September 1, 2039 (maturity)	185,000

\$610,000 Term Bonds Maturing on September 1, 2042

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2040	\$195,000
September 1, 2041	200,000
September 1, 2042 (maturity)	215,000

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

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds (including any Term Bonds) maturing on and after September 1, 2027, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2026, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK- ENTRY-ONLY SYSTEM." If less than all of the entire outstanding principal amount of a Term Bond is to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the date fixed for redemption, in the manner specified in the Bond Resolution.

Effects of Redemption

By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Replacement of Registrar

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

Authority for Issuance

At elections held within the District on April 1, 1972, and November 20, 1984, the District authorized a total of \$4,010,000 unlimited tax and revenue bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and for refunding purposes. All of the bonds issued pursuant to such authorization have been retired. On May 14, 2011, voters of the District authorized the issuance of \$32,300,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and for refunding purposes. After sale of the Bonds, a total of \$25,030,000 principal amount of unlimited tax bonds for facilities and for refunding purposes will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; City of Houston Ordinance No. 97-416, Chapter 1207, Texas Government Code, as amended, and the May 14, 2011, election.

Source of Payment

The Bonds (together with the Remaining Outstanding Bonds, as defined herein, and such additional tax bonds as may hereafter be issued by the District) are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, 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, and Registrar fees. Tax proceeds, after deduction for collection costs, will be placed in the debt service fund and used solely to pay principal of and interest on the Bonds, on such additional bonds payable from taxes which may be issued, and Registrar 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.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission"), necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$32,300,000 unlimited tax bonds for construction of water distribution, wastewater collection and storm drainage facilities and refunding purposes, and could authorize additional amounts. Following the issuance of the Bonds, \$25,030,000 unlimited tax bonds for construction of water distribution, wastewater collection and storm drainage facilities and refunding purposes will remain authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ.) In addition to the components of the System the District has financed with the proceeds of the sale of the Prior Bonds, the District will finance its cost of acquiring, constructing or improving the System, and other facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Authority for Issuance" and - "Issuance of Additional Debt," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park 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 Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes. The District has no information concerning any determination by City of Houston with respect to modification of its ordinance. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS - Future Debt." The District is located within two different emergency management districts which tax property in the District and provide fire protection services. See "TAX DATA - Estimated Overlapping Taxes."

Financing Road Facilities

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before a district could issue such bonds, it would be required to receive authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. However, the District has not held a successful election to authorize the financing of road construction through the issuance of bonds. Issuance of bonds for roads could dilute the investment security for the Bonds.

No Arbitrage

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

Annexation and Consolidation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. 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.

If the District is annexed, the City of Houston will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

Registered Owners' Remedies

Pursuant to Texas law, the Bond Resolution provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to observe and perform its covenants and obligations to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee 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. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further 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. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See "Bankruptcy Limitation to Registered Owners' Rights" below. Certain traditional legal remedies also may not be available.

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. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that 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.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner 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 such Registered Owner's claim against the District.

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

PLAN OF FINANCING

Use of Bond Proceeds

Proceeds of the sale of the Bonds, together with other lawfully available funds of the District, will be applied to refund \$2,845,000 in principal amount of the District's Unlimited Tax Bonds, Series 2012 (the "Series 2012 Bonds"). The Series 2012 Bonds that are being refunded by the Bonds are hereinafter referred to as the "Refunded Bonds." The proceeds of the sale of the Bonds will also be used to pay the costs of issuance of the Bonds. The Refunded Bonds will be redeemed on their redemption date, at a price equal to the principal amount thereof plus accrued interest from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas (the "Paying Agent for the Refunded Bonds"). The sale of the Bonds and the refunding of the Refunded Bonds will (i) reduce the District's debt service payments, and (ii) provide present value savings in the District's debt service.

The Refunded Bonds

The principal amounts and maturity dates (or mandatory redemption amounts and dates, as applicable) of the Refunded Bonds are set forth below.

<u>Maturity Date</u>	<u>Series 2012 Refunded Bonds Principal Amount</u>
9/1/2022	\$ 70,000
9/1/2023	75,000
9/1/2024	80,000
9/1/2025	85,000
9/1/2026	90,000
9/1/2027	95,000
9/1/2028	100,000
9/1/2029	105,000
9/1/2030	115,000
9/1/2031	120,000
9/1/2032	130,000
9/1/2033	135,000
9/1/2034	145,000
9/1/2035	150,000
9/1/2036	160,000
9/1/2037	170,000
9/1/2038	180,000
9/1/2039	190,000
9/1/2040	205,000
9/1/2041	215,000
9/1/2042	<u>230,000</u>
	\$2,845,000

Redemption Date: 7/21/21

Aggregate Principal Amount of Refunded Bonds \$2,845,000

Payment of Refunded Bonds

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

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

The Non-Refunded Bonds (Remaining Outstanding Bonds)

The District has previously issued Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1972, Series 1973, Series 1974, Series 1979, Series 1985, the Series 2012 Bonds and Unlimited Tax Bonds, Series 2018. Collective reference is made in this Official Statement to all of such bonds previously issued by the District as the “Prior Bonds.” The District has never defaulted in the timely payment of principal of or interest on the Prior Bonds. Prior to the issuance of the Bonds, the principal amount of the Prior Bonds that has not been previously retired by the District is \$6,610,000 (the “Outstanding Bonds”) After issuance of the Bonds, the aggregate principal amount of the District's Outstanding Bonds not heretofore paid by the District, less the Refunded Bonds, will be \$3,765,000 (the “Remaining Outstanding Bonds”) and the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be \$6,780,000. In addition to the components of the System the District has financed with the proceeds of the sale of the Prior Bonds, the District will finance its cost of acquiring, constructing or improving the System, and other facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See “THE BONDS - Authority for Issuance,” and - “Issuance of Additional Debt,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS - Future Debt.”

The principal amounts and maturity dates (or mandatory redemption amounts and dates, as applicable) of the Remaining Outstanding Bonds are as follows:

REMAINING OUTSTANDING BONDS
PRINCIPAL AMOUNTS

<u>Maturity Date</u> <u>(September 1)</u>	<u>Series 2012</u>	<u>Series 2018</u>
2021	\$65,000	\$100,000
2022		150,000
2023		150,000
2024		150,000
2025		150,000
2026		150,000
2027		150,000
2028		150,000
2029		150,000
2030		175,000
2031		175,000
2032		175,000
2033		175,000
2034		175,000
2035		175,000
2036		175,000
2037		175,000
2038		200,000
2039		200,000
2040		200,000
2041		200,000
2042		<u>200,000</u>
	<u>\$65,000</u>	<u>\$3,700,000</u>

Total Principal Amount of Non-Refunded Bonds (Remaining Outstanding Bonds) \$3,765,000

Sources and Uses of Funds

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

SOURCES OF FUNDS:

Principal Amount of Bonds.....	\$3,015,000.00
Plus: Accrued Interest	2,461.67
District Contribution.....	1,000.00
Net Original Issue Premium on the Bonds	<u>18,641.55</u>
Total Sources of Funds.....	\$3,037,103.22

USES OF FUNDS:

Deposit with Paying Agent for the Refunded Bonds	\$2,882,372.22
Deposit Accrued Interest to Debt Service Fund.....	2,461.67
Expenses:	
Underwriter Discount	23,637.60
Municipal Bond Insurance Premium and Other Issuance Expenses.....	<u>128,631.73</u>
Total Uses of Funds	\$3,037,103.22

THE DISTRICT

General

The District is a political subdivision of the State of Texas, created by House Bill 1619 of the 62nd Legislature of the State of Texas, Regular Session, 1971, pursuant to Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies entirely within the extraterritorial jurisdiction of the City of Houston, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District.

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

Description

The District contains approximately 437.82 acres of land. The District is located entirely within Harris County, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the “City”), approximately 26.5 miles north-northwest of the central business district of the City. The District is bordered on the north by Louetta Road and on the west by Kuykendahl Road. The District lies wholly within the Klein Independent School District. See - “General” above and “APPENDIX A - LOCATION MAP.”

Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. All of the Directors currently reside within the District.

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
Dennis M. Reilly	President	2022
Keith Schoonover	Vice President/Treasurer	2022
Loy D. Easter	Secretary	2022
Darren Segers	Assistant Secretary	2024
Nelson Stewart	Assistant Secretary	2024

The District does not have a general manager or any other employee, but has contracted for services, as follows.

Tax Assessor/Collector - The District has Equi-Tax, Inc., Houston, Texas, as the District's Tax Assessor/Collector. According to Equi-Tax, Inc., it presently serves approximately 66 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Harris County Appraisal District and bills and collects such levy.

Consulting Engineers - The District has employed the firm of IDS Engineering Group, Houston, Texas, as Consulting Engineer in connection with the overall planning activities and the design and construction of the System.

Utility System Operator - Environmental Development Partners, LLC is the general operator of the System. According to Environmental Development Partners, LLC, it is currently engaged as utility system operator for approximately 59 utility districts.

Bookkeeper - The District has engaged Myrtle Cruz, Inc. as the District's Bookkeeper. According to Myrtle Cruz, Inc., it currently serves approximately 359 districts as bookkeeper.

Auditor - As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's auditor for the 2020 fiscal year is McCall Gibson Swedlund Barfoot, PLLC, Certified Public Accountants, Houston, Texas. A copy of the District's financial statements for the fiscal year ended December 31, 2020, which were audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, is included as “APPENDIX B” to this Official Statement.

Bond Counsel and General Counsel - Allen Boone Humphries Robinson LLP, Houston, Texas (“Bond Counsel”) serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Allen Boone Humphries Robinson LLP serves as general counsel to the District on matters other than the issuance of bonds.

Financial Advisor - The District has engaged Rathmann & Associates, L.P., as financial advisor (the “Financial Advisor”) to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. Rathmann & Associates, L.P. is an independent municipal advisor registered with the United States Securities and Exchange Commission (the “SEC”) and the Municipal Securities Rulemaking Board (the “MSRB”). Rathmann & Associates, L.P.’s SEC registration number is 867-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.’s SEC registration Forms MA and MA-1’s, which constitute Rathmann & Associates, L.P.’s registration filings, may be accessed through <http://www.sec.gov/edgar/searchedgar/company search.html>.

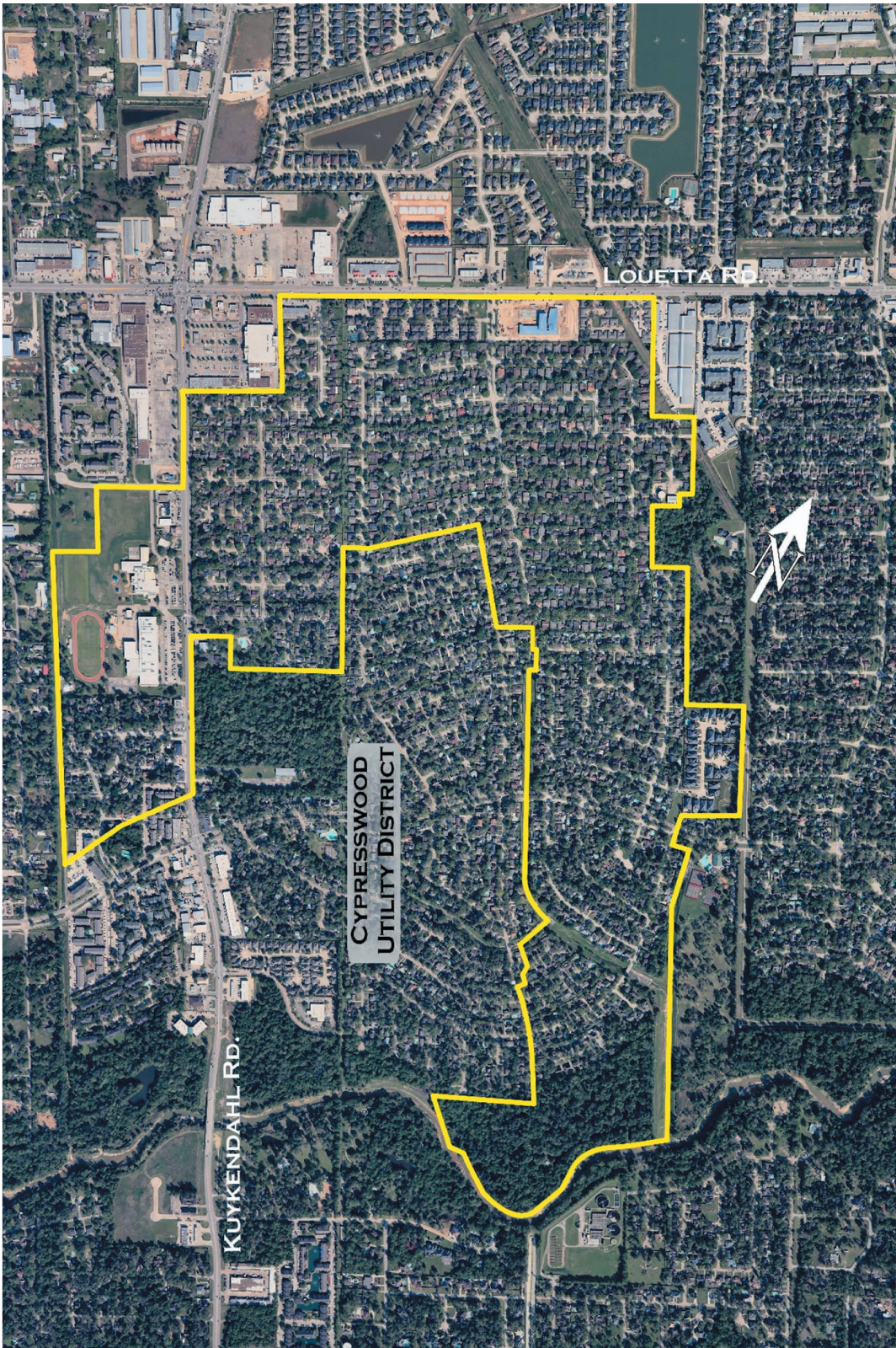
DEVELOPMENT OF THE DISTRICT

The development of all of the land located within the District is complete. Such development includes the completion of an aggregate of 1,363 single-family residential lots on all of which single-family residences have been constructed and sold to home purchasers. Such 1,363 single-family residences are located in Cypressdale, Sections 1 through 5, Cypresswood, Sections 4 through 6 and 10, Preserves at Cypresswood, and Cypress Villas. Such eleven platted sections contain an aggregate of approximately 375 acres of land. In addition to the aforementioned residential development, the District also contains unrestricted reserves aggregating approximately 19.39 acres which have been developed for commercial, public and/or multi-family residential usage. According to the District’s Engineer, underground water, sewer and drainage facilities and street paving to serve all of such unrestricted reserves have been constructed to the perimeters of all tracts which they serve. Above-ground commercial improvements totaling approximately 66,272 square feet of building area, including an approximately 6,696 square foot restaurant, two office buildings totaling approximately 23,154 square feet of space, an approximately 6,072 square foot Kidz Klub Academy daycare, an approximately 2,156 square foot Mr. Sticker auto center, three retail centers totaling approximately 26,268 square feet of space, and an approximately 1,926 square foot Trailer Connection have been constructed on approximately 4.12 acres of such reserves. A total of 347 multi-family units have been constructed within the District, including the 144-unit Oak Falls Apartments constructed on approximately 9.18 acres, the 125-unit Applewood Village Apartments constructed on approximately 4.3 acres, the 30-unit Paseo Nuevo Apartments constructed on approximately 2 acres of such reserves, and 48 four-plex residential units. In addition, the Klein Independent School District has constructed the Strack Intermediate School and the Benford Elementary School on approximately 34.82 acres located within the District. The remaining acres within the District are located within certain major thoroughfare or drainage channel rights-of-way, sites on which District facilities are located, or are otherwise not available for development. The District financed its cost of the construction or acquisition of water supply and distribution, wastewater collection and treatment, and storm drainage facilities (the “System”) to serve its development with portions of the proceeds of the sale of the Prior Bonds.

Outside of District Customers

Reference is made in this Official Statement to the owners of multiple properties and tracts of land totaling approximately 9.49 acres located outside the District as “Outside of District Customers.” The District’s System is designed to serve the entirety of the District and the Outside of District Customers at full development. See “THE SYSTEM - Outside of District Customers.”

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken April 2021)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken April 2021)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken April 2021)



DISTRICT DEBT

General

The following tables and calculations relate to the Bonds and the Remaining Outstanding Bonds. After issuance of the Bonds, the aggregate principal amount of the Outstanding Bonds, less the Refunded Bonds, will be \$3,765,000 (the "Remaining Outstanding Bonds"), and the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be \$6,780,000. The District is empowered to incur debt to be paid from revenues raised by taxation against all taxable property located within the District, and various other political subdivisions of government that overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of the property within the District.

2020 Assessed Valuation.....	\$	208,310,945 (a)
(As of January 1, 2020)		
See "TAX DATA" and "TAXING PROCEDURES"		
Direct Debt:		
Remaining Outstanding Bonds	\$	3,765,000
The Bonds		<u>3,015,000</u>
Total	\$	6,780,000 (b)
Estimated Overlapping Debt	\$	<u>10,769,976</u>
Total Direct and Estimated Overlapping Debt	\$	17,549,976
Direct Debt Ratio		
: as a percentage of 2020 Assessed Valuation.....		3.25 %
Direct and Overlapping Debt Ratio		
: as a percentage of 2020 Assessed Valuation.....		8.42 %
Debt Service Fund Balance Estimated as of the Date of Delivery of the Bonds	\$	541,581 (c)
General Fund Balance as of April 16, 2021.....	\$	3,660,816
2020 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax.....	\$	0.200
Maintenance Tax.....		<u>0.143</u>
Total	\$	0.343 (d)

(a) As of January 1, 2020, and comprises the District's 2020 tax roll. All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

(b) In addition to the components of the System the District has financed with the proceeds of the sale of the Prior Bonds, the District will finance its cost of acquiring, constructing or improving the System, and other facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM."

- (c) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. Such fund balance reflects the timely payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2021, and the contribution by the District of \$1,000 to the refunding of the Refunded Bonds. The District's remaining debt service payments for 2021, which are due on September 1, 2021, total \$271,963, and consist of the payment of principal of and interest on the Remaining Outstanding Bonds and a two-month interest payment and a principal payment on the Bonds.
- (d) The District levied a debt service tax in the amount of \$0.20 per \$100 of Assessed Valuation and a maintenance tax of \$0.143 per \$100 of Assessed Valuation for 2020. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2020 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2020 rate, is \$2.525627. Such aggregate levies are within the range of the aggregate levies of municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in “Texas Municipal Reports,” published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	<u>Debt as of March 2, 2021</u>	<u>Estimated Overlapping Percent</u>	<u>Amount</u>
Harris County	\$1,672,657,125	0.04122%	\$689,398
Harris County Department of Education	20,185,000	0.04122%	8,319
Harris County Flood Control District	334,270,000	0.04122%	137,772
Port of Houston Authority	492,439,397	0.04122%	202,963
Harris County Hospital District	81,540,000	0.04122%	33,607
Klein ISD	1,071,025,000	0.86062%	9,217,480
Lone Star College District	518,505,000	0.09266%	<u>480,437</u>
Total Estimated Overlapping Debt			\$10,769,976
The District (the Bonds and the Remaining Outstanding Bonds)			<u>6,780,000</u>
Total Direct & Estimated Overlapping Debt			\$17,549,976

Debt Ratios

	<u>% of 2020 Assessed Valuation</u>
Direct Debt	3.25%
Direct and Estimated Overlapping Debt	8.42%

Under Texas law, ad valorem taxes levied by each taxing authority other than the District create a lien that is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administration, and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy, and collect ad valorem taxes for operations and maintenance purposes, and such taxes have been authorized by the duly qualified voters of the District. The District has levied a maintenance tax of \$0.143 per \$100 of Assessed Valuation in 2020. See “TAX DATA - Maintenance Tax.”

Debt Service Requirement Schedule

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

Year Ending December 31	Current Total Debt Service on Outstanding Bonds	Less: Debt Service on Refunded Bonds	Plus: The Bonds		Total New Debt Service Requirements
			Principal	Interest	
2021	\$383,925	\$48,050	\$35,000	\$10,550	\$381,425
2022	433,975	166,100	85,000	62,600	415,475
2023	432,375	169,000	90,000	60,900	414,275
2024	430,625	171,750	95,000	59,100	412,975
2025	428,725	174,350	100,000	56,250	410,625
2026	426,675	176,800	105,000	53,250	408,125
2027	424,475	179,100	110,000	50,100	405,475
2028	422,125	181,250	115,000	47,900	403,775
2029	419,625	183,250	120,000	45,600	401,975
2030	446,975	190,100	130,000*	43,200	430,075
2031	442,988	191,363	130,000*	40,600	422,225
2032	443,400	197,463	140,000*	38,000	423,938
2033	438,488	198,238	145,000*	35,200	420,450
2034	438,413	203,850	150,000*	32,300	416,863
2035	432,650	203,775	155,000*	29,300	413,175
2036	431,275	208,525	165,000*	26,200	413,950
2037	429,550	212,925	170,000*	22,900	409,525
2038	452,475	216,975	180,000*	19,500	435,000
2039	448,950	220,450	185,000*	15,900	429,400
2040	450,063	228,563	195,000*	12,200	428,700
2041	445,631	231,131	200,000*	8,300	422,800
2042	445,588	238,338	215,000*	4,300	426,550
	\$9,548,971	\$4,191,346	\$3,015,000	\$774,150	\$9,146,776

Average Annual Requirements: (2021-2042)..... \$415,763
 Maximum Annual Requirement: (2038)..... \$435,000

* Represents mandatory sinking fund payments on Term Bonds.

TAX DATA

Debt Service Tax

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Remaining Outstanding Bonds and the Bonds (see "TAXING PROCEDURES"). The Board of Directors of the District has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see "THE BONDS" and "INVESTMENT CONSIDERATIONS"). The District levied a tax for debt service at a rate of \$0.20 per \$100 of Assessed Valuation for 2020.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. On May 14, 2011, the District voters authorized the levy of such a maintenance tax in an amount not to exceed \$1.00 per \$100 of Assessed Valuation. Such tax is levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Remaining Outstanding Bonds, and any parity bonds which may be issued in the future. The District levied a maintenance tax of \$0.143 per \$100 of Assessed Valuation for 2020.

Reappraisal of Property after Disaster

The Property Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. Neither the District nor Harris County adopted an order to reappraise the property in the District. See "TAXING PROCEDURES - Reappraisal of Property after Disaster."

Historical Values and Tax Collection History

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate(a)</u>	<u>Levy Amount</u>	<u>Cumulative % Collections</u>	
				<u>Current & Prior Years(b)</u>	<u>Year Ended 9/30</u>
2010	\$134,570,552	\$0.250	\$336,322	99.9%	2011
2011	134,926,445	0.300	404,368	99.9	2012
2012	122,508,408	0.370	463,123	99.9	2013
2013	125,735,668	0.370	465,006	99.9	2014
2014	138,147,554	0.360	497,151	99.8	2015
2015	156,464,597	0.350	547,603	99.8	2016
2016	155,731,440	0.360	560,759	99.7	2017
2017	166,173,615	0.360	598,333	99.6	2018
2018	175,553,754	0.360	632,028	99.5	2019
2019	199,972,495	0.350	699,869	99.3	2020
2020	208,310,945	0.343	714,507	95.7(c)	2021

(a) Per \$100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through March 31, 2021. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

(c) As of March 31, 2021. In process of collection.

Tax Rate Distribution

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Maintenance	\$0.143	\$0.15	\$0.16	\$0.21	\$0.11
Debt Service	<u>0.200</u>	<u>0.20</u>	<u>0.20</u>	<u>0.15</u>	<u>0.25</u>
Total	\$0.343	\$0.35	\$0.36	\$0.36	\$0.36

Analysis of Tax Base

The following table illustrates the composition of property located within the District during the past five years.

<u>Type of Property</u>	<u>2020</u>		<u>2019</u>		<u>2018</u>	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	\$51,683,423	24.80%	\$50,794,653	25.40%	\$48,721,665	27.75%
Improvements	206,804,772	99.25%	205,965,910	103.00%	173,414,369	98.78%
Personal Property	3,470,963	1.67%	3,687,153	1.84%	3,467,083	1.97%
Exemptions	<u>(53,597,213)</u>	<u>-25.72%</u>	<u>(60,475,221)</u>	<u>-30.24%</u>	<u>(50,049,363)</u>	<u>-28.51%</u>
Total	\$208,361,945	100.00%	\$199,972,495	100.00%	\$175,553,754	100.00%

<u>Type of Property</u>	<u>2017</u>		<u>2016</u>	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	\$48,549,014	29.22%	\$42,652,117	27.39%
Improvements	168,681,440	101.51%	161,512,315	103.71%
Personal Property	3,611,437	2.17%	3,561,453	2.29%
Exemptions	<u>(54,668,276)</u>	<u>-32.90%</u>	<u>(51,994,445)</u>	<u>-33.39%</u>
Total	\$166,173,615	100.00%	\$155,731,440	100.00%

Tax Exemption

The District has adopted a residential homestead exemption for persons 65 years or older in the amount of \$20,000 in Assessed Valuation and for disabled persons in the amount of \$10,000 in Assessed Valuation. The District has not adopted a general residential homestead exemption. See "TAXING PROCEDURES."

Principal 2020 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the Assessed Valuation of such property as of January 1, 2020. The information reflects the composition of the Appraisal District's record of property ownership as of January 1, 2020.

<u>Property Owner</u>	<u>Property Description</u>	<u>2020 Taxable Value</u>	<u>% of 2020 Tax Roll</u>
Mosaic Falls LP	Land and Improvements	\$11,757,380	5.64%
GWR Applewood LLC	Land and Improvements	5,739,975	2.75%
Sway 2014-1 Borrower LLC	Land and Improvements	2,748,235	1.32%
Magnificat Medical Service PLLC	Land and Improvements	2,114,567	1.01%
Claye Alexis11 Investments LLC	Land and Improvements	2,022,941	0.97%
SRP SUB LLC	Land and Improvements	1,768,702	0.85%
Centerpoint Energy Houston	Personal Property	1,115,190	0.54%
LN Parkwood Co	Land and Improvements	1,114,579	0.53%
Raymond Petereit's Plaza Del Sol Ltd	Land and Improvements	1,060,125	0.51%
Comcast of Houston LLC	Personal Property	<u>812,230</u>	<u>0.39%</u>
		\$30,253,924	14.52%

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2020 Assessed Valuation. The calculations assume collection of 95% of taxes levied, no use of funds on hand, and the sale of no bonds by the District other than the Prior Bonds and the Bonds.

Average Annual Debt Service Requirements (2021-2042)	\$415,763
Tax Rate of \$0.22 on the 2020 Assessed Valuation (\$208,310,945) produces.....	\$435,370
Maximum Annual Debt Service Requirement (2038)	\$435,000
Tax Rate of \$0.22 on the 2020 Assessed Valuation (\$208,310,945) produces.....	\$435,370

The District levied a debt service tax of \$0.20 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.143 per \$100 of Assessed Valuation for 2020. As the above table indicates, the 2020 debt service rate is not sufficient to pay the Average Annual and the Maximum Annual debt service on the Bonds and the Remaining Outstanding Bonds, assuming taxable values in the District at the level of the 2020 Assessed Valuation, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District. However, the District's Debt Service Fund balance is estimated to be \$541,581 as of the date of delivery of the Bonds. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District expects to apply earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Bonds and the Remaining Outstanding Bonds. The District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds as is delineated in "APPENDIX B - ANNUAL FINANCIAL REPORT" that is appended to this Official Statement. In addition, as is illustrated above under the caption "Historical Values and Tax Collection History," as of March 31, 2021, the District had collected an average annual percentage of its property taxes of 99.77% for the period 2010 through 2019, and its 2019 tax levy, which was in the process of collection, was 95.70% collected as of such date. Therefore, the District anticipates that it will be able to meet its debt service requirements on the Bonds and the Remaining Outstanding Bonds without increasing the District's debt service tax rate above the rate which it has levied for 2020 - \$0.20 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners.

Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2020 taxes levied upon property located within the District and the District's 2020 tax rate. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

<u>Taxing Jurisdiction</u>	<u>2020 Tax Rate/\$100</u>
The District*	\$0.343000
Harris County	0.391160
Harris County Department of Education	0.004993
Harris County Hospital District	0.166710
Harris County Flood Control District	0.031420
Port of Houston Authority	0.009910
Klein ISD	1.337300
Lone Star College District	0.107800
Harris County Emergency Services District No. 28	0.100000
Harris County Emergency Services District No. 11	<u>0.033334</u>
TOTAL TAX RATE	<u>\$2.525627</u>

* The District has levied a total tax of \$0.343 per \$100 of Assessed Valuation for 2020, consisting of a debt service tax of \$0.20 per \$100 of Assessed Valuation and a maintenance tax of \$0.143 per \$100 of Assessed Valuation.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-wide Appraisal District

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

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

The Property Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

Reappraisal of Property After Disaster

The Property Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons to the extent deemed advisable by the Board. 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%, and, under certain circumstances, the surviving spouse of such veteran, is entitled to the exemption for the full amount of the residential homestead. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. 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 was killed or fatally injured in the line of duty is, subject to certain conditions, also 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 to be transferred 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 market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District granted a general residential homestead exemption of twenty percent (20%) of the appraised value of property for 2021. See "TAX DATA - Exemptions."

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

Tax Abatement

Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City of Houston (after annexation of the District), Harris County, 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 District has adopted guidelines and criteria for establishing a tax abatement. 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 agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Boards, 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. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions

while claiming it 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 the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll. The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Boards 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 the Appraisal Districts to compel compliance with the Property Tax Code.

The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. 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, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of

a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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 taxpayer 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.

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. 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. For the 2020 tax rate year, a determination has been made by the District's Board of Directors that the District is a Developed District.

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.

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 taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of each local taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units (see "TAX DATA - Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by 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.

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 (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS -Tax Collection Limitations."

The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended.

THE SYSTEM

Regulation

According to the District's Engineer, the System has been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City of Houston, Harris County, and the Harris County Flood Control District. The construction and installation of the facilities must be made in accordance with the standards and specifications of such entities and are subject to inspection by each such entity. The total number of equivalent single-family connections ("ESFCs") for the District at the full development of its current area of approximately 437.82 acres of land is 1,629, with a total estimated population of 4,887.

Description

The System presently serves the 1,363 fully developed single-family residential lots and other property located in the District that are enumerated in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT." The District financed its cost of acquiring and constructing components of the System to serve Cypressdale, Sections 1 through 5, Cypresswood, Sections 4 through 6 and 10, Preserves at Cypresswood, and Cypress Villas joint wastewater treatment plant improvements, wastewater system rehabilitation, joint water plant improvements, and other facilities with the proceeds of the sale of the Prior Bonds. The District will finance its cost of acquiring, constructing or improving additional improvements to the System and other facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."

Water Supply

The District's water supply and treatment system is integrated with the water supply and treatment system of Harris County Water Control and Improvement District No. 132 ("HCWCID No. 132"). The District and HCWCID No. 132 share three water plants with hydropneumatic tank capacity of 50,000 gallons, ground storage tanks totaling 840,000 gallons, an elevated 500,000 gallon storage tank, booster pump capacity totaling 6,400 gallons-per-minute ("gpm"), and water wells totaling 3,000 gpm capacity. These water supply facilities were financed with portions of the proceeds of the Prior Bonds, and are capable of serving a minimum of 2,500 ESFC, with the hydropneumatic tank capacity being the limiting factor. The District financed the construction of joint water plant improvements and ground storage tank improvements with a portion of the proceeds of the sale of the Prior Bonds.

The District currently receives surface water from the North Harris County Regional Water Authority (the "Authority"). The District maintains its water wells to serve as a backup source of water supply. The District has a water line interconnect with Klein Public Utility District. The District cannot predict the amount or level of fees and charges which may be due the Authority in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

Wastewater Treatment

The District owns capacity in an existing 4.87 MGD wastewater treatment plant that is administered by the Ponderosa Joint Powers Agency. The District owns capacity of the facility equal to 747,208 gallons-per-day. The remaining capacity is owned by Harris County Water Control and Improvement District No. 132, Ponderosa Forest Utility District, Westador Municipal Utility District, Klein Public Utility District, and Harris County Municipal Utility District No. 275 and Harris County Water Control and Improvement District No. 91. The District's share of the wastewater treatment plant is adequate to serve 2,425 ESFCs based on a design criterion of 300 gallons per day per ESFC. The District financed its share of the cost of the construction of wastewater treatment system improvements and joint wastewater treatment plant improvements with a portion of the proceeds of the sale of the Prior Bonds.

Subsidence and Conversion to Surface Water Supply

The District is within the boundaries of the Harris Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. In 1999, the Texas legislature created the North Harris County Regional Water Authority ("Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Harris County. The District is located within the boundaries of the Authority. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to

alternate source water (e.g., surface water). The District's groundwater well(s) are included within the Authority's GRP. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in the Authority's GRP.

The Authority, among other powers, has the power to (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees to be paid by the District for groundwater pumped by the District or for surface water received by the District from the Authority), user fees, rates, and charges as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the District and the amount of surface water, if any, received by the District from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2035 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

Drainage Improvements

Storm water drainage for the District is provided by curb inlets to underground lines that outfall into Cypress Creek.

100-Year Flood Plain

According to the District's Engineer, there are approximately 40 single-family lots within the District that are partially located within the 100-year flood plain.

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. If substantial or frequent flooding of homes were to occur in the area of the District, the marketing of homes and the future growth of property values in the District could be adversely affected. See "INVESTMENT CONSIDERATIONS - Extreme Weather Events."

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

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

The rate of development of land intended to be used for single-family residential, multifamily residential and commercial usage, and the construction of taxable above-ground single-family residential, multi-family residential and commercial improvements within the District are directly related to the vitality of the single-family and multi-family residential housing and commercial development and building industries. The construction of new commercial and multi-family residential improvements and related development activities can be significantly affected by factors such as interest rates, credit availability, construction costs, energy costs and availability and the prosperity and demographic characteristics of the urban center toward which the marketing of homes and commercial enterprises is directed. Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Continued volatility in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing as well as the value of existing homes (see "Potential Effects of Oil Price Fluctuation on the Houston Area" below). Although development of the District has occurred to date as described in this Official Statement under the captions "DEVELOPMENT AND HOME CONSTRUCTION" the District cannot predict whether the taxable valuation of District property will be maintained at any particular level. The District cannot predict what impact, if any, a downturn in the local housing markets and a continued downturn in the national housing and financial markets may have on the Houston market generally and the District specifically, or the maintenance of assessed values in the District. See "SELECTED FINANCIAL INFORMATION."

Maximum Impact on District Tax Rates

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The District's 2020 Assessed Valuation is \$208,310,945. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Remaining Outstanding Bonds will be \$435,000 (2038) and the Average Annual Debt Service Requirements will be \$415,763 (2021 through 2042, inclusive). Assuming no increase to nor decrease from the 2020 Assessed Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, a tax rate of \$0.22 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements.

The District levied a debt service tax of \$0.20 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.143 per \$100 of Assessed Valuation for 2020. As is indicated above, the 2020 debt service rate is not sufficient to pay the Average Annual and the Maximum Annual debt service on the Bonds and the Remaining Outstanding Bonds, assuming taxable values in the District at the level of the 2020 Assessed Valuation, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District. However, the District's Debt Service Fund balance is estimated to be \$541,581 as of the date of delivery of the Bonds. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District expects to apply earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Bonds and the Remaining Outstanding Bonds. The District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds as is delineated in "APPENDIX B - ANNUAL FINANCIAL REPORT" that is appended to this Official Statement. In addition, as is illustrated above under the caption "TAX DATA - Historical Values and Tax Collection History," as of March 31, 2021, the District had collected an average annual percentage of its property taxes of 99.77% for the period 2010 through 2019, and its 2020 tax levy, which was in the process of collection, was 95.70% collected as of such date. However, the District can make no representation that the taxable property values in the District will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "TAXING PROCEDURES." In addition to the components of the System the District has financed with the proceeds of the sale of the Prior Bonds, the District will finance its cost of acquiring, constructing or improving the System, and other facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Authority for Issuance" and - "Issuance of Additional Debt," "DISTRICT DEBT - Debt Service Requirement Schedule," "THE SYSTEM" and "Future Debt" below.

As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's rate, is \$2.525627 per \$100 of Assessed Valuation. Such aggregate levies are within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (i) cumbersome, time-consuming, and expensive collection procedures, (ii) a bankruptcy court's stay of tax collection procedures against a taxpayer, (iii) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (iv) the taxpayer's right to redeem the property within two years of foreclosure. 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.

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not 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. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas legislature, a default by the District in its covenants in the bond Resolution may not be reduced to a judgement for money damages. Even if Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a 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 in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

The enforceability of the rights and remedies of the Registered Owners may be further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See “THE BONDS - Registered Owners’ Remedies.”

The District may not be placed into bankruptcy involuntarily.

Marketability

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

Future Debt

The District reserved in the Bond Resolution the right to issue the remaining \$25,030,000 unlimited tax bonds authorized but unissued for waterworks, wastewater and drainage facilities and for refunding purposes, and such additional bonds as may hereafter be approved by the voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. All of the remaining \$25,030,000 bonds described above for waterworks, wastewater and drainage facilities which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$25,030,000 bonds for waterworks, wastewater and drainage facilities is also subject to TCEQ authorization. In addition to the components of the System the District has financed with the proceeds of the sale of the Prior Bonds, the District will finance its cost of acquiring, constructing or improving the System, and other facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See “THE BONDS - Authority for Issuance” and - “Issuance of Additional Debt,” “DISTRICT DEBT - Debt Service Requirement Schedule,” and “THE SYSTEM.”

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

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 security of the Bonds as an investment, or the adequacy or accuracy of the information contained in this Official Statement.

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston-Harris area (“HGB Area”)—Harris, Galveston, Harris, 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: Harris, 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.

Extreme Weather Events

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

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. “500 year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. However, according to the District's Operator, the District's System did not sustain any material damage and there was no interruption of water service. A sanitary sewer lift station was damaged during the storm, but is now operational. The District has made permanent repairs to provide for future flooding resilience to such lift station. Further, according to the District's Operator and Engineer, after investigation, although the District experienced street flooding, there was no apparent material wind or water damage to homes, commercial improvements or multi-family units within the District other than water penetration of a maximum of approximately six inches to not more than approximately 50 homes within the District (not more than approximately 4% of the homes within the District). Such homes that experienced water damage appear to have been repaired.

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

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.

Infectious Disease Outbreak (COVID-19)

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

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 conditions and financial markets worldwide and within Texas and the Houston area. Stock values and oil prices, in the U.S. and globally, have seen significant volatility attributed in part to Pandemic 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 the Pandemic on the District cannot be quantified at this time, the continued outbreak of the Pandemic could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods partially prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not necessarily indicative of the economic impact of the Pandemic on the District's financial condition.

Potential Effects of Oil Price Fluctuation on the Houston Area

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

Changes in Tax Legislation

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

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, and all taxable property within the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount, based upon examination of a transcript of certified proceedings held incident to the issuance and authorization of the Bonds, and the approving legal opinion of Bond Counsel for the District, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS,” except for the information under the subheading “Book-Entry-Only System,” “PLAN OF FINANCING – Payment of Refunded Bonds,” “THE DISTRICT – Management of the District - Bond Counsel and General Counsel,” “TAXING PROCEDURES,” “LEGAL MATTERS - Legal Opinions”, “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has either conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Allen Boone Humphries Robinson 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 the issuance of the Bonds are based on a percentage of the bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by McCall Parkhurst & Horton L.L.P., Houston, Texas. McCall Parkhurst & Horton L.L.P. has acted as Disclosure Counsel for the District on certain previous new money financings.

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

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that, to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/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.

No Material Adverse Change

The obligations of the Underwriters to take up 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 financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Resolution 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 Underwriters with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriters, respectively, which Bond Counsel has not independently verified. The District will further rely on the report of Robert Thomas CPA, LLC, regarding the mathematical accuracy of certain computations. If the District should fail to comply with the covenants in the Resolution or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

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

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

Bond Counsel's 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.

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 a 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, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

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 has designated the Bonds as "qualified tax-exempt obligations" and has represented 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.

VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided on behalf of the District relating to (a) the mathematical computation of the adequacy of the amounts deposited with Paying Agent for the Refunded Bonds to pay, when due, the principal or redemption price of and interest on the Refunded Bonds; (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes; and (c) the mathematical computations related to certain requirements of City of Houston Ordinance No. 97-416.

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. Robert Thomas CPA, LLC was not engaged to perform audit or attest services under AICPA auditing or attestation standards or to provide any form of attest report or opinion under such standards in conjunction with this engagement.

OFFICIAL STATEMENT

General

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 believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein that was obtained from sources other than the District. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The District's financial statements for the fiscal year ended December 31, 2020, were audited by McCall Gibson Swedlund Barfoot, PLLC, Certified Public Accountants, and have been included herein as "APPENDIX B." McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, has agreed to the publication of its audit opinion on such financial statements in this Official Statement.

Experts

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled "THE DISTRICT," "DEVELOPMENT OF THE DISTRICT" and "THE SYSTEM" has been provided by IDS Engineering Group, and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Equi-Tax, Inc. and the Appraisal District. Such information has been included herein in reliance upon the authority of Equi-Tax, Inc. as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

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

Updating of Official Statement

If, subsequent to the date of the Official Statement, to and including the date the Underwriters are no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the “SEC”), the District learns, or is notified by the Underwriters, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriters elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriters an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriters; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the “end of the underwriting period” as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the “end of the underwriting period.”

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (the “SEC”) regarding the District's continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Resolution, 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 events, to the Municipal Securities Rulemaking Board (the “MSRB”). This information will be available from the MSRB through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in “APPENDIX B” (the Accountant’s Report and Financial Statements). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2021. The District will provide the updated information to the MSRB or any successor to its functions as a repository.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is December 31. Accordingly, it must provide updated information by the June 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 MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination 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 events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (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 Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an Underwriters to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the Remaining Outstanding Bonds consent to the amendment or any

person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriters from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

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

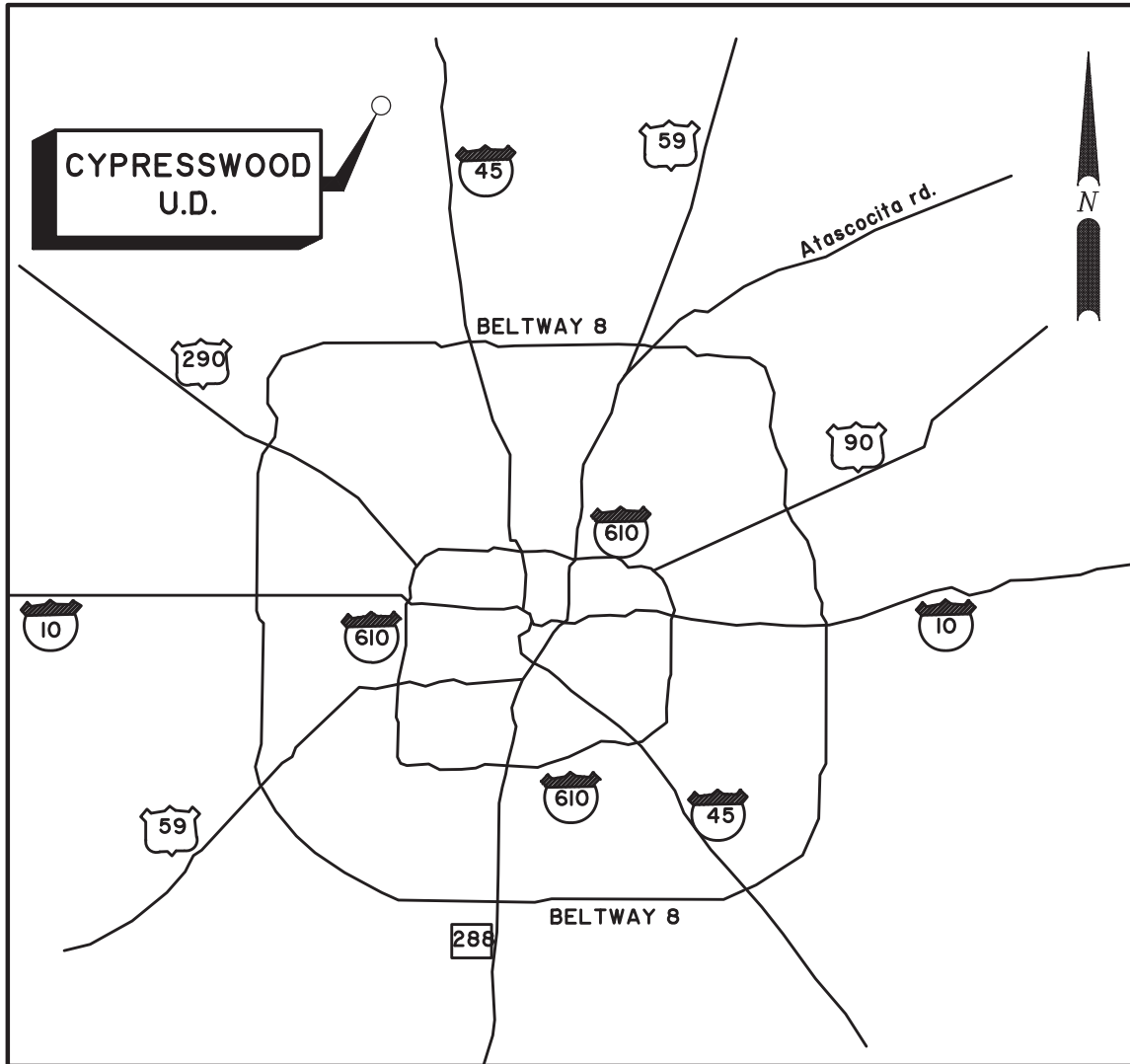
This Official Statement was approved by the Board of Directors of Cypresswood Utility District as of the date shown on the first page hereof.

/s/ Dennis M. Reilly
President, Board of Directors
Cypresswood Utility District

ATTEST:

/s/ Loy D. Easter
Secretary, Board of Directors
Cypresswood Utility District

APPENDIX A
LOCATION MAP



LOCATION MAP
NTS

APPENDIX B

CYPRESSWOOD UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2020

CYPRESSWOOD UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2020

CYPRESSWOOD UTILITY DISTRICT
HARRIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2020

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McCALL GIBSON SWEDLUND BARFOOT PLLC

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cypresswood Utility District
Harris County, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

April 26, 2021

**CYPRESSWOOD UTILITY DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Management’s discussion and analysis of Cypresswood Utility District’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended December 31, 2020. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for maintenance taxes, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and related cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**CYPRESSWOOD UTILITY DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$4,966,336 as of December 31, 2020. A portion of the District’s net position reflects its net investment in capital assets (buildings as well as the water, wastewater and detention facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

**CYPRESSWOOD UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2020</u>	<u>2019</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 6,063,207	\$ 6,412,665	\$ (349,458)
Capital Assets (Net of Accumulated Depreciation)	<u>6,730,604</u>	<u>6,542,163</u>	<u>188,441</u>
Total Assets	\$ 12,793,811	\$ 12,954,828	\$ (161,017)
Bonds Payable	\$ 6,524,944	\$ 6,696,011	\$ 171,067
Other Liabilities	<u>507,261</u>	<u>480,245</u>	<u>(27,016)</u>
Total Liabilities	\$ 7,032,205	\$ 7,176,256	\$ 144,051
Deferred Inflows of Resources	\$ 795,270	\$ 784,035	\$ (11,235)
Net Position:			
Net Investment in Capital Assets	\$ 1,158,290	\$ 1,012,881	\$ 145,409
Restricted	143,398	163,028	(19,630)
Unrestricted	<u>3,664,648</u>	<u>3,818,628</u>	<u>(153,980)</u>
Total Net Position	<u>\$ 4,966,336</u>	<u>\$ 4,994,537</u>	<u>\$ (28,201)</u>

The following table provides a summary of the District's operations for the years ending December 31, 2020 and December 31, 2019. The District's net position decreased by \$28,201 during the current fiscal year.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2020</u>	<u>2019</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 699,396	\$ 630,991	\$ 68,405
Charges for Services	1,172,402	1,166,609	5,793
Other Revenues	<u>66,815</u>	<u>150,186</u>	<u>(83,371)</u>
Total Revenues	\$ 1,938,613	\$ 1,947,786	\$ (9,173)
Expenses for Services	<u>1,966,814</u>	<u>2,006,860</u>	<u>40,046</u>
Change in Net Position	\$ (28,201)	\$ (59,074)	\$ 30,873
Net Position, Beginning of Year	<u>4,994,537</u>	<u>5,053,611</u>	<u>(59,074)</u>
Net Position, End of Year	<u>\$ 4,966,336</u>	<u>\$ 4,994,537</u>	<u>\$ (28,201)</u>

**CYPRESSWOOD UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2020, were \$4,577,408, a decrease of \$383,130 from the prior year.

The General Fund fund balance decreased by \$146,964, primarily due to operating and capital costs exceeding property tax and service revenues.

The Debt Service Fund fund balance decreased by \$22,067, primarily due to the structure of the District's long-term debt.

The Capital Projects Fund fund balance decreased by \$214,099, due to capital outlay paid from bond proceeds and surplus funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$29,280 less than budgeted revenues and actual expenditures were \$165,304 more than budgeted expenditures which resulted in a negative variance of \$194,584. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of December 31, 2020, total \$6,730,604 (net of accumulated depreciation) and include land, buildings, equipment, and the water system, wastewater system and detention facilities. Capital asset activity during the current year included the water plant no. 1 rehabilitation, motor control center replacement and the sanitary sewer rehabilitation, phase 3.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 65,930	\$ 65,930	\$
Construction in Progress	180,692	425,577	(244,885)
Capital Assets, Net of Accumulated Depreciation:			
Buildings	42,992	46,907	(3,915)
Water System	2,263,220	2,394,804	(131,584)
Wastewater System	4,092,925	3,521,906	571,019
Detention Facilities	84,845	87,039	(2,194)
Total Net Capital Assets	<u>\$ 6,730,604</u>	<u>\$ 6,542,163</u>	<u>\$ 188,441</u>

**CYPRESSWOOD UTILITY DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

LONG-TERM DEBT ACTIVITY

As of December 31, 2020, the District had total bond debt of \$6,610,000. The changes in long-term debt are as follows:

Bond Debt Payable, January 1, 2020	\$ 6,785,000
Less: Bond Principal Paid	<u>175,000</u>
Bond Debt Payable, December 31, 2020	<u>\$ 6,610,000</u>

The District’s Series 2012 Bonds carried an underlying rating of “A” and an insured rating of “AA” by virtue of bond insurance issued by Assured Guaranty Municipal Corporation. The Series 2018 Bonds carry an underlying rating of “A” and an insured rating of “AA” by virtue of bond insurance issued by Build America Mutual Assurance Company. The above ratings are as of December 31, 2020.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Cypresswood Utility District, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

**CYPRESSWOOD UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2020**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 1,790,963	\$ 451,753
Investments	1,724,654	
Receivables:		
Property Taxes	238,880	329,549
Penalty and Interest on Delinquent Taxes		
Service Accounts	126,204	
Accrued Interest	681	
Special Assessment Revenue	87,074	
Due from Other Funds	151,144	
Prepaid Costs	12,599	
Due from Other Governmental Units	34,408	
Chloramination Credit Receivable		
Wastewater Treatment Plant Operating Advance	13,894	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 4,180,501	\$ 781,302

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 42,770	\$ 2,285,486	\$	\$ 2,285,486
909,407	2,634,061		2,634,061
	568,429		568,429
		5,047	5,047
	126,204		126,204
	681		681
	87,074		87,074
	151,144	(151,144)	
	12,599		12,599
60,316	94,724		94,724
		235,008	235,008
	13,894		13,894
		65,930	65,930
		180,692	180,692
		<u>6,483,982</u>	<u>6,483,982</u>
<u>\$ 1,012,493</u>	<u>\$ 5,974,296</u>	<u>\$ 6,819,515</u>	<u>\$ 12,793,811</u>

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

**CYPRESSWOOD UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2020**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 218,918	\$ 5,890
Accrued Interest Payable		
Due to Other Funds		151,144
Security Deposits	149,615	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 368,533	\$ 157,034
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 303,899	\$ 420,485
Special Assessment Revenue	87,074	
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 390,973	\$ 420,485
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 12,599	\$
Operating Advance	13,894	
Restricted for Authorized Construction		
Restricted for Debt Service		203,783
Unassigned	3,394,502	
TOTAL FUND BALANCES	\$ 3,420,995	\$ 203,783
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,180,501	\$ 781,302
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 59,863	\$ 284,671	\$ 72,975	\$ 284,671
	151,144	(151,144)	72,975
	149,615		149,615
		165,000	165,000
		<u>6,359,944</u>	<u>6,359,944</u>
<u>\$ 59,863</u>	<u>\$ 585,430</u>	<u>\$ 6,446,775</u>	<u>\$ 7,032,205</u>
\$	\$ 724,384	\$ (16,188)	\$ 708,196
	<u>87,074</u>		<u>87,074</u>
<u>\$ -0-</u>	<u>\$ 811,458</u>	<u>\$ (16,188)</u>	<u>\$ 795,270</u>
\$	\$ 12,599	\$ (12,599)	\$
	13,894	(13,894)	
952,630	952,630	(952,630)	
	203,783	(203,783)	
	<u>3,394,502</u>	<u>(3,394,502)</u>	
<u>\$ 952,630</u>	<u>\$ 4,577,408</u>	<u>\$ (4,577,408)</u>	<u>\$ - 0 -</u>
<u>\$ 1,012,493</u>	<u>\$ 5,974,296</u>		
		\$ 1,158,290	\$ 1,158,290
		143,398	143,398
		<u>3,664,648</u>	<u>3,664,648</u>
		<u>\$ 4,966,336</u>	<u>\$ 4,966,336</u>

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

**CYPRESSWOOD UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2020**

Total Fund Balances - Governmental Funds		\$ 4,577,408
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Credits due from the North Harris County Regional Water Authority for asset reimbursements are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		235,008
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		6,730,604
<p>Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District.</p>		21,235
<p>Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:</p>		
Accrued Interest Payable	\$ (72,975)	
Bonds Payable	<u>(6,524,944)</u>	<u>(6,597,919)</u>
Total Net Position - Governmental Activities		<u>\$ 4,966,336</u>

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

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CYPRESSWOOD UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 300,583	\$ 399,000
Water Service	263,871	
Wastewater Service	190,886	
Water Authority Fees	606,147	
Penalty and Interest	14,760	9,375
Special Assessment Fees	87,517	
Capital Contribution Credits	20,447	
Investment and Miscellaneous Revenues	46,129	903
TOTAL REVENUES	\$ 1,530,340	\$ 409,278
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 185,563	\$ 1,928
Contracted Services	109,900	24,414
Purchased Water Service	553,855	
Purchased Wastewater Service	140,639	
Utilities	43,342	
Water Authority Assessments	27,367	
Repairs and Maintenance	228,125	
Depreciation		
Other	74,714	5,828
Capital Outlay	313,799	
Debt Service:		
Bond Principal		175,000
Bond Interest		224,175
TOTAL EXPENDITURES/EXPENSES	\$ 1,677,304	\$ 431,345
NET CHANGE IN FUND BALANCES	\$ (146,964)	\$ (22,067)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2020	3,567,959	225,850
FUND BALANCES/NET POSITION - DECEMBER 31, 2020	\$ 3,420,995	\$ 203,783

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 699,583	\$ (187)	\$ 699,396
	263,871		263,871
	190,886		190,886
	606,147		606,147
	24,135	(154)	23,981
	87,517		87,517
	20,447	(5,988)	14,459
5,324	52,356		52,356
<u>\$ 5,324</u>	<u>\$ 1,944,942</u>	<u>\$ (6,329)</u>	<u>\$ 1,938,613</u>
\$ 643	\$ 188,134	\$	\$ 188,134
	134,314		134,314
	553,855		553,855
	140,639		140,639
	43,342		43,342
	27,367		27,367
	228,125		228,125
		344,046	344,046
92	80,634		80,634
218,688	532,487	(532,487)	
	175,000	(175,000)	
	224,175	2,183	226,358
<u>\$ 219,423</u>	<u>\$ 2,328,072</u>	<u>\$ (361,258)</u>	<u>\$ 1,966,814</u>
\$ (214,099)	\$ (383,130)	\$ 383,130	\$
		(28,201)	(28,201)
1,166,729	4,960,538	33,999	4,994,537
<u>\$ 952,630</u>	<u>\$ 4,577,408</u>	<u>\$ 388,928</u>	<u>\$ 4,966,336</u>

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

**CYPRESSWOOD UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Governmental Funds	\$ (383,130)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(187)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	(154)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(344,046)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	532,487
Governmental funds report chloramine conversion credits as revenue in the period received. However, in the Statement of Net Position, the principal portion of chloramine conversion credits reduces long-term receivables.	(5,988)
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	175,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(2,183)
Change in Net Position - Governmental Activities	<u>\$ (28,201)</u>

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

CYPRESSWOOD UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1. CREATION OF DISTRICT

Cypresswood Utility District of Harris County, Texas (the “District”) was created by Acts of the 62nd Legislature of the State of Texas, Regular Session, 1971, in accordance with Texas Water Code Chapter 54. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code and under the supervision of the Texas Commission on Environmental Quality (the “Commission”), the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service and storm sewer drainage for the residents of the District. Further, the District has the ability under the Texas Water Code to provide garbage and recycling collection and to construct parks and recreational facilities. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on October 8, 1971, and the first bonds were sold on June 19, 1972.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

The District has entered into a joint venture with Harris County Water Control and Improvement District No. 132 (“District No. 132”), Klein Public Utility District and Harris County Municipal Utility District No. 275 for maintenance of certain water and wastewater facilities which are jointly owned by the districts. Oversight responsibility of these jointly owned facilities is by the District and District No. 132. The District has also entered into a joint venture with the above districts as well as Ponderosa Forest Utility District, Westador Municipal Utility District and Harris County Water Control and Improvement District No. 91 to create the Ponderosa Joint Powers Agency (the “Agency”). The Agency is responsible for operation and maintenance of a regional sewage treatment plant.

CYPRESSWOOD UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

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

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

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

Government-Wide Financial Statements

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

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

CYPRESSWOOD UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

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

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

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

Basis of Accounting

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

**CYPRESSWOOD UTILITY DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenue include the 2019 tax levy collections during the period October 1, 2019, to December 31, 2020, and taxes collected from January 1, 2020, to December 31, 2020, for the 2018 and prior tax levies. The 2020 tax levy has been fully deferred to meet operating expenditures of the 2021 fiscal year.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of December 31, 2020, the Debt Service Fund owed the General Fund \$151,144 for maintenance tax collections.

Capital Assets

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

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

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Detention Facilities	45

CYPRESSWOOD UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

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

Measurement Focus

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

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

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

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

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

CYPRESSWOOD UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding the changes in bonds payable for the year ended December 31, 2020:

	January 1, 2020	Additions	Retirements	December 31, 2020
Bonds Payable	\$ 6,785,000	\$	\$ 175,000	\$ 6,610,000
Bond Discounts	(106,855)		(4,723)	(102,132)
Bond Premiums	17,866		790	17,076
Bonds Payable, Net	<u>\$ 6,696,011</u>	<u>\$ -0-</u>	<u>\$ 171,067</u>	<u>\$ 6,524,944</u>
		Amount Due Within One Year		\$ 165,000
		Amount Due After One Year		<u>6,359,944</u>
		Bonds Payable, Net		<u>\$ 6,524,944</u>

**CYPRESSWOOD UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2012	Series 2018
Amount Outstanding - December 31, 2020	\$ 2,910,000	\$ 3,700,000
Interest Rates	3.00% - 3.625%	3.00% - 3.625%
Maturity Dates – Serially Beginning/Ending	September 1, 2021/2042	September 1, 2021/2042
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Date	September 1, 2019*	September 1, 2023*

* At the option of the District as a whole or in part on the call option date or any date thereafter, at par plus accrued interest to the date of redemption. Series 2012 term bonds due September 1, 2023, September 1, 2026, September 1, 2029, September 1, 2033, September 1, 2037, and September 1, 2042 are subject to mandatory redemption by random selection beginning September 1, 2021, September 1, 2024, September 1, 2027, September 1, 2030, September 1, 2034, and September 1, 2038, respectively. Series 2018 term bonds due September 1, 2030, September 1, 2032, September 1, 2034, September 1, 2036, September 1, 2038, September 1, 2040, and September 1, 2042 are subject to mandatory redemption by random selection beginning September 1, 2029, September 1, 2031, September 1, 2033, September 1, 2035, September 1, 2037, September 1, 2039, and September 1, 2041, respectively.

As of December 31, 2020, the debt service requirements on the outstanding bonds were as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 165,000	\$ 218,925	\$ 383,925
2022	220,000	213,975	433,975
2023	225,000	207,375	432,375
2024	230,000	200,625	430,625
2025	235,000	193,725	428,725
2026-2030	1,280,000	859,875	2,139,875
2031-2035	1,555,000	640,939	2,195,939
2036-2040	1,855,000	357,312	2,212,312
2041-2042	845,000	46,219	891,219
	<u>\$ 6,610,000</u>	<u>\$ 2,938,970</u>	<u>\$ 9,548,970</u>

CYPRESSWOOD UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3. LONG-TERM DEBT (Continued)

As of December 31, 2020, the District had authorized but unissued tax bonds in the amount of \$25,200,000. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

During the year ended December 31, 2020, the District levied an ad valorem debt service tax rate of \$0.20 per \$100 of assessed valuation, which resulted in a tax levy of \$412,942 on the adjusted taxable valuation of \$206,470,998 for the 2020 tax year. The bond resolution requires the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

The bond resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged.

**CYPRESSWOOD UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

At fiscal year end, the carrying amount of the District’s deposits was \$2,532,173 and the bank balance was \$2,642,952. The District was not exposed to custodial credit risk at year-end. The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2020, as listed below:

	Cash	Certificate of Deposit	Total
GENERAL FUND	\$ 1,790,963	\$ 246,687	\$ 2,037,650
DEBT SERVICE FUND	451,753		451,753
CAPITAL PROJECTS FUND	42,770		42,770
TOTAL DEPOSITS	\$ 2,285,486	\$ 246,687	\$ 2,532,173

Investments

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

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

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

**CYPRESSWOOD UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of December 31, 2020, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 1,477,967	\$ 1,477,967
Certificate of Deposit	246,687	246,687
<u>CAPITAL PROJECTS FUND</u>		
TexPool	909,407	909,407
TOTAL INVESTMENTS	\$ 2,634,061	\$ 2,634,061

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2020, the District's investment in TexPool was rated AAAM by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit covered by federal depository insurance.

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

Restrictions

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

**CYPRESSWOOD UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 is as follows:

	January 1, 2020	Increases	Decreases	December 31, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 65,930	\$	\$	\$ 65,930
Construction in Progress	<u>425,577</u>	<u>532,487</u>	<u>777,372</u>	<u>180,692</u>
Total Capital Assets Not Being Depreciated	<u>\$ 491,507</u>	<u>\$ 532,487</u>	<u>\$ 777,372</u>	<u>\$ 246,622</u>
Capital Assets Subject to Depreciation				
Buildings	\$ 173,525	\$	\$	\$ 173,525
Water System	5,267,859	57,304		5,325,163
Wastewater System	5,334,568	720,068		6,054,636
Detention Facilities	<u>98,458</u>			<u>98,458</u>
Total Capital Assets Subject to Depreciation	<u>\$ 10,874,410</u>	<u>\$ 777,372</u>	<u>\$ -0-</u>	<u>\$ 11,651,782</u>
Less Accumulated Depreciation				
Buildings	\$ 126,618	\$ 3,915	\$	\$ 130,533
Water System	2,873,055	188,888		3,061,943
Wastewater System	1,812,662	149,049		1,961,711
Detention Facilities	<u>11,419</u>	<u>2,194</u>		<u>13,613</u>
Total Accumulated Depreciation	<u>\$ 4,823,754</u>	<u>\$ 344,046</u>	<u>\$ -0-</u>	<u>\$ 5,167,800</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 6,050,656</u>	<u>\$ 433,326</u>	<u>\$ -0-</u>	<u>\$ 6,483,982</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 6,542,163</u>	<u>\$ 965,813</u>	<u>\$ 777,372</u>	<u>\$ 6,730,604</u>

NOTE 7. MAINTENANCE TAX

On May 14, 2011, the voters of the District approved the increase of the levy and collection of a maintenance tax from \$0.25 (which was voted in 1995) to an amount not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system. During the year ended December 31, 2020, the District levied an ad valorem maintenance tax rate of \$0.143 per \$100 of assessed valuation, which resulted in a tax levy of \$295,254 on the adjusted taxable valuation of \$206,470,998 for the 2020 tax year. Consistent with the District's accounting policies, the recognition of maintenance tax revenue for the 2020 tax levy has been deferred.

**CYPRESSWOOD UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8. AGREEMENTS WITH OTHER DISTRICTS

Joint Facilities Contract

On May 17, 1985, the District entered into a contract with Harris County Water Control and Improvement District No. 132, Klein Public Utility District (“Klein”) and Harris County Municipal Utility District No. 275 (“District No. 275”), whereby, the four districts will jointly provide for maintenance of certain water facilities, sanitary sewer facilities and drainage facilities which are jointly used by the districts. A Deed and First Amendment was executed on October 31, 1994, a Deed and Second Amendment was executed on January 19, 2004, and a Deed and Third Amendment was executed on April 23, 2018. This contract supersedes the joint maintenance contract between the District and District No. 132 dated May 11, 1976. This contract also supersedes the joint facilities contract between the District, District No. 132 and Klein dated March 14, 1979. In addition, the districts agreed to provide each other with emergency water. Under the terms of the contract, the districts will share the maintenance duties and will reimburse each other for the costs involved. On April 1, 2000, a supplement was added to include groundwater pumpage fees to the cost of emergency water supplied. On August 3, 2016, a letter agreement was approved which sets forth the terms and conditions for sharing the costs of a sanitary sewer line which is used jointly by the District and District No. 275.

Lift Station and Force Main Modification

In 1979, the District executed an agreement with Klein and District No. 132 for the construction and ownership of a lift station and force main modifications. In 1985, the agreement was amended to include District No. 275. On October 31, 1994, the participants executed a Deed and First Amendment to the Joint Facilities Contract (see above). Each district’s individual interest in the lift station is based upon the capacities below. In addition, all costs to operate the facility (excluding electricity) is billed per these capacities. Electricity is billed based upon gallons of water billed for the quarter.

	Percentage	Owned Capacity/ Gallons Per Day
Cypresswood Utility District	32.63%	747,208
Klein Public Utility District	19.65	450,000
Harris County Municipal Utility District No. 275	16.31	373,604
Harris County Water Control and Improvement District No. 132	<u>31.41</u>	<u>719,188</u>
	<u>100.00%</u>	<u>2,290,000</u>

Water Production Facilities

The District entered into an agreement on June 18, 1981, with District No. 132 to jointly drill a 1,500 gallon per minute water well and associated appurtenance.

CYPRESSWOOD UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8. AGREEMENTS WITH OTHER DISTRICTS (Continued)

Water Production Facilities (Continued)

The District also entered into an agreement with District No. 132 to construct modifications to some of the joint facilities. Phase I included the elevated storage tank modification. The districts shared the costs equally. Phase II provided for control modules at each well and Phase III was to provide six remote locations to monitor water pressure in both districts. The District's pro rata share of Phase II and Phase III is 61.6%.

On April 28, 2014, the districts executed a Water System Cost Sharing Agreement. This agreement provides for the construction and engineering costs for new facilities and the exterior painting of the elevated storage tank to be shared on a 50/50 basis. Repairs, maintenance, upgrades, electricity, and rehabilitation of existing facilities will be shared based on the water usage of both districts. Each district's percentage will be determined for a project at the time the project is undertaken and will be calculated based upon the average water usage of each district for the prior four quarters.

Operation and Maintenance of Regional Sewage Treatment Plant

On July 20, 1977, Ponderosa Forest Utility District, Westador Municipal Utility District, District No. 132 and the District entered into an agreement to create the Ponderosa Joint Powers Agency (the "Agency"). At a later date, Klein was incorporated into the Agency. On February 5, 1985, the agreement was amended to include District No. 275. The term of the agreement is for 40 years.

The Agency is responsible for operation and maintenance of a regional sewage treatment plant. Each participant is required to pay its pro rata share of current operations and maintenance costs based on sewage flow and its share of electrical power based on capacity reserved in the system.

On September 6, 1994, a Third Amendment to the Interlocal Agreement provided for a contract for Sale and Lease of Wastewater Treatment Capacity allowing for a change in owned capacity with certain of the districts selling capacity to Harris County Water Control and Improvement District No. 91 ("District No. 91"). On April 25, 1995, a Deed and Fourth Amendment to the Interlocal Contract was executed providing for the sale of additional capacity to District No. 91.

During the current fiscal year, the District recorded expenditures of \$140,639 for its share of operations of the plant and at the balance sheet date had an operating advance for sewage treatment plant operations of \$13,894 with the Agency. Financial statements of the Agency can be obtained by contacting Allen Boone Humphries Robinson LLP, the attorney representing the Agency.

**CYPRESSWOOD UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8. AGREEMENTS WITH OTHER DISTRICTS (Continued)

Operation and Maintenance of Regional Sewage Treatment Plant (Continued)

The participating districts and their respective pro rata share of capacity in the regional sewage treatment plant as of the balance sheet date are:

	Capacity in Gallons Per Day	Percentage of Total Capacity
Westador Municipal Utility District	909,504	18.676%
Ponderosa Forest Utility District	1,318,780	27.080
Cypresswood Utility District	727,600	14.940
Harris County Water Control and Improvement District No. 132	700,316	14.380
Klein Public Utility District	450,000	9.240
Harris County Municipal Utility District No. 275	363,800	7.470
Harris County Water Control and Improvement District No. 91	400,000	8.214
TOTAL	4,870,000	100.000%

The following summary financial data of the Ponderosa Joint Powers Agency is presented for the fiscal year ended December 31, 2020:

	Joint Venture
Total Assets	\$ 285,164
Total Liabilities	185,164
Total Net Position	\$ 100,000
Revenues from Operations	\$ 1,058,336
Other Income	448
Total Revenues	\$ 1,058,784
Total Expenses	1,058,784
Change in Net Position	\$ -0-
Beginning Net Position	100,000
Ending Net Position	\$ 100,000

**CYPRESSWOOD UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 9. SPECIAL ASSESSMENTS

Some out-of-district customers are required to pay on or before January 1, of each year thereafter, an additional charge to the District. The amount of this charge is based on the assessed market value of the customer's real and personal property. These charges are used to defray operating costs.

During the year ended December 31, 2020, the District levied special assessments at the rate of \$0.343 per \$100 of assessed valuation, which resulted in assessments of \$83,004 on the assessed valuation of \$24,199,469 for the 2020 tax year. Consistent with District revenue recognition policies, the 2020 levy has been deferred until the 2021 year.

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. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 11. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the North Harris County Regional Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the "Act"), as passed by the 75th Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. At year-end, the fee was \$4.25 per 1,000 gallons of water pumped from each well. The District recorded expenditures of \$27,367 for fees assessed during the current fiscal year. The District also purchased surface water from the Authority at the rate of \$4.70 per 1,000 gallons of water delivered. The District recorded expenditures of \$553,855 for water purchased during 2020.

The District and Harris County Water Control and Improvement District No. 132 funded the construction costs for the conversion to surface water. The total costs of the project approved by the Authority for reimbursement were \$562,892. Principal repayments will be for 30 years at a rate of 6% beginning February 2011. Each district's share of the reimbursement is 50%. The District's share of future repayments is as follows:

CYPRESSWOOD UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 11. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
(Continued)

Fiscal Year	Principal	Interest	Total
2021	\$ 6,348	\$ 14,100	\$ 20,448
2022	6,728	13,720	20,448
2023	7,132	13,316	20,448
2024	7,560	12,888	20,448
2025	8,014	12,434	20,448
2026-2030	47,884	54,356	102,240
2031-2035	64,080	38,160	102,240
2036-2040	85,753	16,487	102,240
2041	1,509	91	1,600
	<u>\$ 235,008</u>	<u>\$ 175,552</u>	<u>\$ 410,560</u>

NOTE 12. WATER INTERCONNECT AGREEMENT

On October 28, 2013, the District and District No. 275 executed an agreement which authorizes the provision of water between the districts during an emergency using interconnects previously constructed. The agreement was amended and restated on July 5, 2017. If one of the districts supplies more water than it uses, it will be entitled to payment from the using district for the net amount of water used at a rate of \$1.00 per thousand gallons plus any fee imposed by the North Harris County Regional Water Authority. The term of the amended and restated agreement is 30 years.

NOTE 13. ECONOMIC UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which could have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

NOTE 14. SUBSEQUENT EVENT - PENDING REFUNDING BOND SALE

The District anticipates issuing its Unlimited Tax Refunding Bonds, Series 2021 sometime in June 2021 in the approximate amount of \$2,990,000. Proceeds from the bonds will be used to redeem \$2,845,000 of the Series 2012 Bonds.

CYPRESSWOOD UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020

CYPRESSWOOD UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 299,620	\$ 300,583	\$ 963
Water Service	300,000	263,871	(36,129)
Wastewater Service	190,000	190,886	886
Water Authority Fees	610,000	606,147	(3,853)
Penalty and Interest	17,000	14,760	(2,240)
Special Assessment Fees	83,000	87,517	4,517
Investment and Miscellaneous Revenues	<u>60,000</u>	<u>66,576</u>	<u>6,576</u>
TOTAL REVENUES	<u>\$ 1,559,620</u>	<u>\$ 1,530,340</u>	<u>\$ (29,280)</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 196,400	\$ 185,563	\$ 10,837
Contracted Services	116,000	109,900	6,100
Purchased Water Service/Pumpage Fees	610,000	581,222	28,778
Purchased Wastewater Service	150,000	140,639	9,361
Utilities	49,500	43,342	6,158
Repairs and Maintenance	183,600	228,125	(44,525)
Other	106,500	74,714	31,786
Capital Outlay	<u>100,000</u>	<u>313,799</u>	<u>(213,799)</u>
TOTAL EXPENDITURES	<u>\$ 1,512,000</u>	<u>\$ 1,677,304</u>	<u>\$ (165,304)</u>
NET CHANGE IN FUND BALANCE	\$ 47,620	\$ (146,964)	\$ (194,584)
FUND BALANCE - JANUARY 1, 2020	<u>3,567,959</u>	<u>3,567,959</u>	<u>_____</u>
FUND BALANCE - DECEMBER 31, 2020	<u>\$ 3,615,579</u>	<u>\$ 3,420,995</u>	<u>\$ (194,584)</u>

See accompanying independent auditor's report.

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CYPRESSWOOD UTILITY DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2020

**CYPRESSWOOD UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective November 25, 2019.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 9.00	5,000	N	\$ 1.00	5,001 to 10,000
				1.50	10,001 to 15,000
				2.00	15,001 to 20,000
WASTEWATER:	\$ 9.00		Y	2.50	20,001 and up
SURCHARGE:					
Water Authority Fees		0,001	N	\$ 4.70	0,001 and up

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

Total monthly charges per 10,000 gallons usage: Water: \$14.00 Wastewater: \$9.00 Surcharge: \$47.00

See accompanying independent auditor's report.

**CYPRESSWOOD UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2020**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	<u>1,284</u>	<u>1,274</u>	x 1.0	<u>1,274</u>
1"	<u>10</u>	<u>10</u>	x 2.5	<u>25</u>
1½"	<u>24</u>	<u>24</u>	x 5.0	<u>120</u>
2"	<u>8</u>	<u>8</u>	x 8.0	<u>64</u>
3"			x 15.0	
4"			x 25.0	
6"	<u>2</u>	<u>2</u>	x 50.0	<u>100</u>
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>1,328</u></u>	<u><u>1,318</u></u>		<u><u>1,583</u></u>
Total Wastewater Connections	<u><u>1,318</u></u>	<u><u>1,308</u></u>	x 1.0	<u><u>1,308</u></u>

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

Gallons pumped into system:	21,206,000	Water Accountability Ratio: 95.3% (Gallons billed/Gallons pumped and purchased)
Gallons billed to customers:	226,737,000	
Gallons purchased:	216,715,000	From: North Harris County Regional Water Authority

The District is on an integrated water system with Harris County Water Control and Improvement District No. 132. Totals above include gallons billed, pumped and purchased for the District and District No. 132. Gallons billed include 128,251,000 to District customers and 98,486,000 to District No. 132 customers.

See accompanying independent auditor's report.

**CYPRESSWOOD UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**CYPRESSWOOD UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2020**

PROFESSIONAL FEES:	
Auditing	\$ 16,750
Engineering	63,384
Legal	105,429
TOTAL PROFESSIONAL FEES	<u>\$ 185,563</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 553,855
Purchased Wastewater Service	140,639
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 694,494</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 19,425
Operations and Billing	90,475
TOTAL CONTRACTED SERVICES	<u>\$ 109,900</u>
UTILITIES	<u>\$ 43,342</u>
REPAIRS AND MAINTENANCE	<u>\$ 228,125</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 16,961
Insurance	21,427
Office Supplies and Postage	3,104
Other	8,775
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 50,267</u>
CAPITAL OUTLAY	<u>\$ 313,799</u>
OTHER EXPENDITURES:	
Chemicals	\$ 10,829
Laboratory Fees	7,342
Permit and Inspection Fees	4,047
Water Authority Assessments	27,367
Regulatory Assessment	2,229
TOTAL OTHER EXPENDITURES	<u>\$ 51,814</u>
TOTAL EXPENDITURES	<u>\$ 1,677,304</u>

See accompanying independent auditor's report.

**CYPRESSWOOD UTILITY DISTRICT
INVESTMENTS
DECEMBER 31, 2020**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 1,477,967	\$
Certificate of Deposit	XXXX9743	0.70%	08/09/21	<u>246,687</u>	<u>681</u>
TOTAL GENERAL FUND				<u>\$ 1,724,654</u>	<u>\$ 681</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0004	Varies	Daily	<u>\$ 909,407</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u>\$ 2,634,061</u>	<u>\$ 681</u>

See accompanying independent auditor's report.

**CYPRESSWOOD UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JANUARY 1, 2020	\$	259,959	\$	340,416
Adjustments to Beginning				
Balance		<u>(125)</u>		<u>269</u>
		\$ 259,834		\$ 340,685
Original 2020 Tax Levy	\$	286,093	\$	400,129
Adjustment to 2020 Tax Levy		<u>9,161</u>		<u>12,813</u>
		<u>295,254</u>		<u>412,942</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 555,088		\$ 753,627
TAX COLLECTIONS:				
Prior Years	\$	251,189	\$	333,143
Current Year		<u>65,019</u>		<u>90,935</u>
		<u>316,208</u>		<u>424,078</u>
TAXES RECEIVABLE -				
DECEMBER 31, 2020		<u>\$ 238,880</u>		<u>\$ 329,549</u>
TAXES RECEIVABLE BY				
YEAR:				
2020		\$ 230,235		\$ 322,007
2019		2,697		3,595
2018		1,312		1,640
2017		1,327		948
2016		1,046		460
2015		707		324
2014		632		316
2013		299		162
2012 and prior		<u>625</u>		<u>97</u>
TOTAL		<u>\$ 238,880</u>		<u>\$ 329,549</u>

See accompanying independent auditor's report.

**CYPRESSWOOD UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	2020	2019	2018	2017
PROPERTY VALUATIONS:				
Land	\$ 51,281,481	\$ 50,620,280	\$ 48,602,336	\$ 48,445,000
Improvements	204,728,492	205,506,775	170,217,426	161,480,077
Personal Property	3,319,811	3,365,950	2,813,425	2,535,667
Exemptions***	(52,858,786)	(59,706,911)	(45,828,408)	(45,948,687)
TOTAL PROPERTY VALUATIONS	\$ 206,470,998	\$ 199,786,094	\$ 175,804,779	\$ 166,512,057
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.200	\$ 0.20	\$ 0.20	\$ 0.15
Maintenance	0.143	0.15	0.16	0.21
TOTAL TAX RATES PER \$100 VALUATION**	\$ 0.343	\$ 0.35	\$ 0.36	\$ 0.36
ADJUSTED TAX LEVY*	\$ 708,196	\$ 699,251	\$ 632,943	\$ 599,541
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	22.02 %	99.10 %	99.53 %	99.62 %

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

** Maintenance Tax – Maximum tax rate of \$1.00 per \$100 of assessed valuation approved by voters on May 14, 2011.

*** As of the 2020 tax year, the District has authorized an exemption from taxation of \$20,000 of the appraised value of residence homesteads of individuals who are 65 years of age or older or \$10,000 of the appraised value of residence homesteads of individuals who are disabled and a general homestead exemption of 20% of the total appraised value of homes.

See accompanying independent auditor's report.

**CYPRESSWOOD UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020**

S E R I E S - 2 0 1 2				
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total	
2021	\$ 65,000	\$ 98,050	\$	163,050
2022	70,000	96,100		166,100
2023	75,000	94,000		169,000
2024	80,000	91,750		171,750
2025	85,000	89,350		174,350
2026	90,000	86,800		176,800
2027	95,000	84,100		179,100
2028	100,000	81,250		181,250
2029	105,000	78,250		183,250
2030	115,000	75,100		190,100
2031	120,000	71,363		191,363
2032	130,000	67,462		197,462
2033	135,000	63,238		198,238
2034	145,000	58,850		203,850
2035	150,000	53,775		203,775
2036	160,000	48,525		208,525
2037	170,000	42,925		212,925
2038	180,000	36,975		216,975
2039	190,000	30,450		220,450
2040	205,000	23,562		228,562
2041	215,000	16,131		231,131
2042	230,000	8,338		238,338
	\$ 2,910,000	\$ 1,396,344	\$	4,306,344

See accompanying independent auditor's report.

**CYPRESSWOOD UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020**

S E R I E S - 2 0 1 8				
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total	
2021	\$ 100,000	\$ 120,875	\$	220,875
2022	150,000	117,875		267,875
2023	150,000	113,375		263,375
2024	150,000	108,875		258,875
2025	150,000	104,375		254,375
2026	150,000	99,875		249,875
2027	150,000	95,375		245,375
2028	150,000	90,875		240,875
2029	150,000	86,375		236,375
2030	175,000	81,875		256,875
2031	175,000	76,625		251,625
2032	175,000	70,938		245,938
2033	175,000	65,250		240,250
2034	175,000	59,563		234,563
2035	175,000	53,875		228,875
2036	175,000	47,750		222,750
2037	175,000	41,625		216,625
2038	200,000	35,500		235,500
2039	200,000	28,500		228,500
2040	200,000	21,500		221,500
2041	200,000	14,500		214,500
2042	200,000	7,250		207,250
	\$ 3,700,000	\$ 1,542,626	\$	5,242,626

See accompanying independent auditor's report.

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**CYPRESSWOOD UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 165,000	\$ 218,925	\$ 383,925
2022	220,000	213,975	433,975
2023	225,000	207,375	432,375
2024	230,000	200,625	430,625
2025	235,000	193,725	428,725
2026	240,000	186,675	426,675
2027	245,000	179,475	424,475
2028	250,000	172,125	422,125
2029	255,000	164,625	419,625
2030	290,000	156,975	446,975
2031	295,000	147,988	442,988
2032	305,000	138,400	443,400
2033	310,000	128,488	438,488
2034	320,000	118,413	438,413
2035	325,000	107,650	432,650
2036	335,000	96,275	431,275
2037	345,000	84,550	429,550
2038	380,000	72,475	452,475
2039	390,000	58,950	448,950
2040	405,000	45,062	450,062
2041	415,000	30,631	445,631
2042	430,000	15,588	445,588
	<u>\$ 6,610,000</u>	<u>\$ 2,938,970</u>	<u>\$ 9,548,970</u>

See accompanying independent auditor's report.

**CYPRESSWOOD UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2020**

Description	Original Bonds Issued	Bonds Outstanding January 1, 2020
Cypresswood Utility District Unlimited Tax Bonds - Series 2012	\$ 3,290,000	\$ 2,975,000
Cypresswood Utility District Unlimited Tax Bonds - Series 2018	<u>3,810,000</u>	<u>3,810,000</u>
TOTAL	<u><u>\$ 7,100,000</u></u>	<u><u>\$ 6,785,000</u></u>

Bond Authority:	<u>Tax Bonds*</u>
Amount Authorized by Voters	\$ 32,300,000
Amount Issued	<u>7,100,000</u>
Remaining to be Issued	<u><u>\$ 25,200,000</u></u>

Debt Service Fund cash balances as of December 31, 2020: \$ 451,753

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 434,044

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

* Also includes bonds authorized for refunding purposes.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding December 31, 2020</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 65,000	\$ 100,000	\$ 2,910,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	110,000	124,175	3,700,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 175,000</u>	<u>\$ 224,175</u>	<u>\$ 6,610,000</u>	

See accompanying independent auditor's report.

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

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 300,583	\$ 280,090	\$ 353,951
Water Service	263,871	276,943	418,610
Wastewater Service	190,886	200,781	200,473
Water Authority Fees	606,147	575,081	534,753
Penalty and Interest	14,760	20,030	21,021
Special Assessment Fees	87,517	84,633	83,156
Capital Contribution Credits	20,447	20,447	20,447
Investment and Miscellaneous Revenues	46,129	107,747	77,871
TOTAL REVENUES	\$ 1,530,340	\$ 1,565,752	\$ 1,710,282
EXPENDITURES			
Professional Fees	\$ 185,563	\$ 188,958	\$ 236,506
Contracted Services	109,900	110,256	94,235
Purchased Water Service	553,855	493,690	552,776
Purchased Wastewater Service	140,639	145,817	158,101
Utilities	43,342	42,960	51,549
Water Authority Assessments	27,367	32,202	97,930
Repairs and Maintenance	228,125	307,867	160,384
Other	74,714	79,824	88,570
Capital Outlay	313,799	178,684	239,978
TOTAL EXPENDITURES	\$ 1,677,304	\$ 1,580,258	\$ 1,680,029
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (146,964)	\$ (14,506)	\$ 30,253
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ -0-	\$ 5,840	\$ 1,143,532
NET CHANGE IN FUND BALANCE	\$ (146,964)	\$ (8,666)	\$ 1,173,785
BEGINNING FUND BALANCE	3,567,959	3,576,625	2,402,840
ENDING FUND BALANCE	\$ 3,420,995	\$ 3,567,959	\$ 3,576,625

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 385,479	\$ 382,741	19.7 %	17.9 %	20.7 %	25.2 %	25.2 %
298,502	262,947	17.2	17.7	24.4	19.3	17.1
200,811	200,979	12.5	12.8	11.7	13.0	13.2
473,935	410,604	39.6	36.7	31.3	30.8	26.9
18,209	17,503	1.0	1.3	1.2	1.2	1.1
77,982	71,492	5.7	5.4	4.9	5.1	4.7
20,447	20,447	1.3	1.3	1.2	1.3	1.3
63,806	160,189	3.0	6.9	4.6	4.1	10.5
<u>\$ 1,539,171</u>	<u>\$ 1,526,902</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 258,610	\$ 226,462	12.1 %	12.1 %	13.8 %	16.8 %	14.8 %
97,373	102,141	7.2	7.0	5.5	6.3	6.7
393,364	318,922	36.2	31.5	32.3	25.6	20.9
168,945	147,171	9.2	9.3	9.2	11.0	9.6
44,846	48,223	2.8	2.7	3.0	2.9	3.2
35,021	41,291	1.8	2.1	5.7	2.3	2.7
165,843	110,786	14.9	19.7	9.4	10.8	7.3
79,405	118,942	4.9	5.1	5.2	5.2	7.8
745,000	177,387	20.5	11.4	14.0	48.4	11.6
<u>\$ 1,988,407</u>	<u>\$ 1,291,325</u>	<u>109.6 %</u>	<u>100.9 %</u>	<u>98.1 %</u>	<u>129.3 %</u>	<u>84.6 %</u>
<u>\$ (449,236)</u>	<u>\$ 235,577</u>	<u>(9.6) %</u>	<u>(0.9) %</u>	<u>1.9 %</u>	<u>(29.3) %</u>	<u>15.4 %</u>
\$ 662	\$ 116					
\$ (448,574)	\$ 235,693					
<u>2,851,414</u>	<u>2,615,721</u>					
<u>\$ 2,402,840</u>	<u>\$ 2,851,414</u>					

See accompanying independent auditor's report.

**CYPRESSWOOD UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 399,000	\$ 349,008	\$ 250,496
Penalty and Interest	9,375	7,815	10,871
Investment and Miscellaneous Revenues	903	1,547	911
TOTAL REVENUES	\$ 409,278	\$ 358,370	\$ 262,278
EXPENDITURES			
Tax Collection Expenditures	\$ 30,920	\$ 28,989	\$ 31,136
Debt Service Principal	175,000	60,000	55,000
Debt Service Interest and Fees	225,425	260,083	103,550
TOTAL EXPENDITURES	\$ 431,345	\$ 349,072	\$ 189,686
NET CHANGE IN FUND BALANCE	\$ (22,067)	\$ 9,298	\$ 72,592
BEGINNING FUND BALANCE	225,850	216,552	143,960
ENDING FUND BALANCE	\$ 203,783	\$ 225,850	\$ 216,552
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,318	1,312	1,315
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,308	1,302	1,305

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 169,655	\$ 173,408	97.5 %	97.4 %	95.6 %	97.1 %	89.9 %
4,791	17,162	2.3	2.2	4.1	2.7	8.9
377	2,246	0.2	0.4	0.3	0.2	1.2
<u>\$ 174,823</u>	<u>\$ 192,816</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 31,764	\$ 32,367	7.6 %	8.1 %	11.9 %	18.2 %	16.8 %
55,000	50,000	42.8	16.7	21.0	31.5	25.9
<u>103,900</u>	<u>104,900</u>	<u>55.1</u>	<u>72.6</u>	<u>39.5</u>	<u>59.4</u>	<u>54.4</u>
<u>\$ 190,664</u>	<u>\$ 187,267</u>	<u>105.5 %</u>	<u>97.4 %</u>	<u>72.4 %</u>	<u>109.1 %</u>	<u>97.1 %</u>
\$ (15,841)	\$ 5,549	<u>(5.5) %</u>	<u>2.6 %</u>	<u>27.6 %</u>	<u>(9.1) %</u>	<u>2.9 %</u>
<u>159,801</u>	<u>154,252</u>					
<u>\$ 143,960</u>	<u>\$ 159,801</u>					
<u>1,316</u>	<u>1,278</u>					
<u>1,304</u>	<u>1,264</u>					

See accompanying independent auditor's report.

**CYPRESSWOOD UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2020**

District Mailing Address - Cypresswood Utility District
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended December 31, 2020</u>	<u>Expense Reimbursements for the year ended December 31, 2020</u>	<u>Title</u>
Dennis M. Reilly	05/2018 05/2022 (Elected)	\$ 4,200	\$ -0-	President
Keith Schoonover	05/2018 05/2022 (Elected)	\$ 3,150	\$ -0-	Vice President/ Investment Officer
Loy Easter	05/2018 05/2022 (Elected)	\$ 3,900	\$ -0-	Secretary
Darren Segers	05/2020 05/2024 (Elected)	\$ 1,800	\$ -0-	Assistant Secretary
Nelson Stewart	05/2020 05/2024 (Elected)	\$ 3,300	\$ 147	Assistant Secretary

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

Submission date of most recent District Registration Form: May 4, 2020

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution dated September 17, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**CYPRESSWOOD UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2020**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2020</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	02/02/09	\$ 106,071	General Counsel
McCall Gibson Swedlund Barfoot PLLC	11/02/88	\$ 16,750	Auditor
Myrtle Cruz, Inc.	05/11/06	\$ 21,774	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/09/83	\$ 1,928	Delinquent Tax Attorney
IDS Engineering Group, Inc.	07/28/15	\$ 113,158	Engineer
Rathmann & Associates, L.P.	04/16/03	\$ -0-	Financial Advisor
Environmental Development Partners	10/09/02	\$ 215,823	Operator
Kenneth R. Byrd, RTA	12/14/77	\$ 21,981	Tax Assessor/ Collector

See accompanying independent auditor's report.

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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

