

OFFICIAL STATEMENT DATED JUNE 7, 2021

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINIONS OF BOND COUNSEL AS TO THE VALIDITY OF THE BONDS AND OF SPECIAL TAX COUNSEL TO THE EFFECT THAT INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS. SEE "LEGAL MATTERS" AND "TAX MATTERS" FOR A DISCUSSION OF THE OPINIONS OF BOND COUNSEL AND SPECIAL TAX COUNSEL.

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

NEW ISSUE
BOOK-ENTRY ONLY
CUSIP Base No. 414911

RATINGS: (S&P-AGM) "AA" (stable outlook)
(See "BOND INSURANCE" herein)
(S&P--underlying) "A-"

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

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

\$ 3,329,999.20

**WATERWORKS AND SEWER SYSTEM COMBINATION
UNLIMITED TAX AND REVENUE REFUNDING BONDS, SERIES 2021**

Interest Accrues: June 15, 2021 for Current Interest Bonds
Date of Delivery for Premium Compound Interest Bonds

Due: May 1, as shown on inside cover

The \$ 3,329,999.20 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2021 (the "Bonds") are obligations solely of Harris County Municipal Utility District No. 119 (the "District") and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any other political subdivision or agency. See "THE BONDS--Source of and Security for Payment."

Interest on the Bonds scheduled to mature May 1, 2022 through 2027 and May 1, 2029, 2030, 2032, 2034, 2036 and 2038 (collectively, the "Current Interest Bonds") accrues from June 15, 2021 (the "Dated Date"), and will be payable May 1 and November 1 of each year, commencing November 1, 2021, and will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds scheduled to mature May 1, 2028 (the "Premium Compound Interest Bonds") will accrete from the date of initial delivery of the Bonds (the "Date of Delivery"), will be compounded on May 1 and November 1 of each year, commencing November 1, 2021, and will be payable only upon maturity. See "APPENDIX B--Schedule of Accreted Values for Premium Compound Interest Bonds." The Current Interest Bonds are issuable in the denominations of \$5,000 of principal amount or integral multiples thereof and the Premium Compound Interest Bonds are issuable in denominations of \$5,000 of the total amount of principal and accreted interest payable upon maturity (the "Maturity Amount") or any integral multiple thereof, including both principal and interest. The Bonds are issuable only in fully registered form in the principal denominations of \$5,000 or integral multiples thereof initially registered solely in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds, until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, the Bonds shall be payable to Cede & Co., which will in turn, remit such amount to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS--Book-Entry-Only System."

Principal of, interest on and the redemption price for the Bonds are payable by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, or any successor paying agent/registrant (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check mailed on or before the interest payment date to registered owners shown on the records of the Paying Agent/Registrar on the fifteenth day of the month preceding each interest payment date or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the registered owner at the risk and expense of the registered owner. See "THE BONDS--Description."

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



SEE INSIDE COVER PAGE FOR MATURITY SCHEDULE

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District and are further payable from a pledge of and lien on certain Net Revenues (as defined herein) of the District's waterworks and sewer system. See "THE BONDS--Source of and Security for Payment." See "THE BONDS--Source of and Security for Payment." The Bonds are subject to special risk factors described herein. See "RISK FACTORS." **Neither the State of Texas, Harris County, Texas, the City of Houston, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds.**

The Bonds will be delivered when, as, and if issued by the District and accepted by the initial purchaser of the Bonds (the "Underwriter"), subject, amongst other things, to the approval of the Initial Bonds by the Attorney General of the State of Texas and by the approval of certain legal matters by Strawn & Richardson, P.C., Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel. Certain matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Underwriter's Counsel. Delivery of the Bonds is expected through the facilities of DTC on July 13, 2021.

SAMCO CAPITAL

MATURITY SCHEDULE

Bonds Dated: June 15, 2021

Due: May 1, as shown below

Current Interest Serial Bonds

<u>Maturity</u> <u>May 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Yield(a)</u>	<u>CUSIP (b)</u>	<u>Maturity</u> <u>May 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Yield(a)</u>	<u>CUSIP (b)</u>
2022	\$90,000	3.000%	0.320%	414911JW8	2027	\$105,000	3.000%	1.150%	414911KB2
2023	85,000	3.000%	0.450%	414911JX6	****	****	****	****	****
2024	90,000	3.000%	0.660%	414911JY4	2029(c)	245,000	1.000%	1.450%	414911KD8
2025	95,000	3.000%	0.900%	414911JZ1	2030(c)	250,000	1.250%	1.620%	414911KE6
2026	95,000	3.000%	1.000%	414911KA4					

(Interest to accrue from the Dated Date)

Current Interest Term Bonds

\$510,000 Term Bonds, Due May 1, 2032 (c)(d), 1.500% Interest Rate, 1.810% Initial Yield (a)
CUSIP (b) 414911KG1

\$540,000 Term Bonds, Due May 1, 2034 (c)(d), 2.000% Interest Rate, 1.950% Initial Yield (a)
CUSIP (b) 414911KJ5

\$580,000 Term Bonds, Due May 1, 2036 (c)(d), 2.000% Interest Rate, 2.050% Initial Yield (a)
CUSIP (b) 414911KL0

\$625,000 Term Bonds, Due May 1, 2038 (c)(d), 2.000% Interest Rate, 2.110% Initial Yield (a)
CUSIP (b) 414911KN6

(Interest to accrue from the Dated Date)

Premium Compound Interest Bonds

<u>Maturity</u> <u>May 1</u>	<u>Principal</u> <u>Amount</u>	<u>Offering Price Per</u> <u>\$5,000 Maturity</u>	<u>Offering</u> <u>Yield(a)</u>	<u>CUSIP (b)</u>	<u>Total Payment</u> <u>At Maturity</u>
2028(e)	\$19,999.20	\$4,516.85	1.500%	414911KC0	\$240,000

(Interest to accrete from the Date of Delivery)

(a) Initial yield represents the initial reoffering yield to the public which has been established by the Underwriter (as defined herein) for public offerings and which subsequently may be changed. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from June 15, 2021 is to be added to the price.

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

(c) Current Interest Bonds maturing on and after May 1, 2029, are subject to redemption prior to maturity at the option of the District, as a whole or, from time to time, in part, on May 1, 2028, or on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Optional Redemption."

(d) Term Bonds are also subject to mandatory redemption in part by lot or other customary method at a price of par plus accrued interest to the redemption date. See "THE BONDS—Mandatory Redemption."

(e) Premium Compound Interest Bonds are not subject to redemption prior to maturity.

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

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Strawn & Richardson, P.C., 1155 Dairy Ashford Road, Suite 875, Houston, Texas 77079 upon payment of duplication costs.

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

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

SALE AND DISTRIBUTION OF THE BONDS

Prices and Marketability

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

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

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

Securities Laws

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

Underwriter

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the "Underwriter") pursuant to a bond purchase agreement with the District (the "Bond Purchase Agreement") at a price of \$3,494,052.89 (being the par amount of the Bonds, less a net discount on the Current Interest Bonds of \$3,983.85 and a premium on the Premium Compound Interest Bonds of \$196,809.60, less an underwriter's discount of \$28,772.06) plus accrued interest on the Bonds to the date of delivery. The obligation of the Underwriter to purchase the Bonds is subject to certain conditions contained in the Bond Purchase Agreement.

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

Municipal Bond Rating

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

In connection with the sale of the Bonds, the District made application to S&P, which has assigned an underlying rating of "A-" to the Bonds. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of such rating.

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

SUMMARY

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

- The District -

Issuer/Description Harris County Municipal Utility District No. 119 of Harris County, Texas (the “District”) contains approximately 639 acres of land located approximately 10 miles northwest of Houston’s central business district and is entirely within the exclusive extraterritorial jurisdiction of the City of Houston (the “City”). Approximately 38% of the taxable property within the District lies within Klein Independent School District and 62% within Aldine Independent School District. See “THE DISTRICT.”

Location The District lies entirely within Harris County, Texas, and the exclusive extraterritorial jurisdiction of the City of Houston. The District is located north of and adjacent to the city limits of the City, to the west of Antoine Drive and to the east of North Houston Rosslyn Road, approximately 10 miles from the Houston Central Business District.

Authority The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT–Authority.”

Development As of May 1, 2021, the District has a total of 2,126 connections to the utility system, including 1,542 completed homes, no houses under construction, 1 vacant developed lot, 1 home destroyed by fire and demolished, commercial development including approximately 39 acres of multi-family dwellings totaling 838 units in 8 complexes, four retail shopping centers, one convenience store, two day care centers, one church, two civic association recreation centers, one elementary school (not subject to taxation by the District), office buildings, nine miscellaneous commercial buildings, approximately three acres for a proposed church served with District facilities, and approximately 21 acres of developable commercial acreage.

Recent Extreme Weather

Events; Hurricane Harvey

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e., “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017 and brought historic levels of rainfall during the successive four days. According to Regional Water Corporation (the “Operator”), there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, to the best knowledge of the District, no homes or other improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

See “TAX PROCEDURES–Reappraisal of Property after Disaster“ and “–Tax Payment Installments after Disaster;” and “RISK FACTORS–Recent Extreme Weather Events; Hurricane Harvey,” and “–Specific Flood Type Risks.”

Infection Disease
Outlook
(COVID-19)

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

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

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

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

- The Bonds -

Description

The \$3,329,999.20 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2021 (the “Bonds”) are dated June 15, 2021 and mature serially on May 1 of each of the years 2022 through 2027, inclusive, and in each of the years 2029 and 2030. Bonds maturing in each of the years May 1, 2032, 2034, 2036 and 2038 are the “Term Bonds.” The Term Bonds are subject to mandatory redemption as described herein under “THE BONDS–Mandatory Redemption.” The Bonds are being issued in part as Current Interest Bonds and in part as Premium Compound Interest Bonds, as shown on the inside cover page of this Official Statement. The Current Interest Bonds maturing on and after May 1, 2029, are subject to redemption, in whole or in part, at the option of the District at par plus any unpaid accrued interest on any date on or after May 1, 2028. The Premium Compound Interest Bonds are not subject to redemption prior to maturity. See “THE BONDS--Description” and “--Optional Redemption.”

Source of Payment

Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District and are further payable from a pledge of and lien on certain Net Revenues, if any, of the District’s waterworks and sanitary sewer system. The Bonds are obligations of the District and are not obligations of Harris County, Texas; the City of Houston, Texas; the State of Texas; or any political subdivision of the State of Texas other than the District. See "THE BONDS--Source of and Security for Payment."

Use of Proceeds	Proceeds of the Bonds will be used to refund \$1,405,000 of the District’s Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2012 and \$1,925,000 of the District’s Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2014 and to pay the costs of issuance of the Bonds. See "THE BONDS — Use and Distribution of Bond Proceeds."
Qualified Tax-Exempt Obligations	The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and represents that the total amount of tax-exempt bonds (including the Bonds) issued by it during the calendar year 2021 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS--Qualified Tax-Exempt Obligations."
Payment Record	The District has never defaulted in the payment of its previously issued bonds. See “DISTRICT DEBT.”
Book-Entry Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. and Cede & Co. will make distribution of the amounts so paid to the beneficial owners of the Bonds (see “THE BONDS--Book-Entry Only System”).
Bond Counsel	Strawn & Richardson, P.C., Houston, Texas, Bond Counsel. See “LEGAL MATTERS.”
Special Tax Counsel	McCall, Parkhurst & Horton, L.L.P., Dallas, Texas.
Financial Advisor	Blitch Associates, Inc., Houston, Texas.
Verification Agent	Ritz & Associates PA, Bloomington, Minnesota.
Paying Agent/ Registrar	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Municipal Bond Rating	The District made application to Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”), which has assigned an underlying rating of “A-” to the Bonds. See “SALE AND DISTRIBUTION OF THE BONDS--Municipal Bond Rating.”
Municipal Bond Rating and Municipal Bond Insurance	S&P is expected to assign a municipal rating of “AA” (stable outlook) as a result of a municipal bond insurance policy issued by Assured Guaranty Municipal Corp. at the time of delivery of the Bonds. See “SALE AND DISTRIBUTION OF THE BONDS–Municipal Bond Rating,” “BOND INSURANCE” and “APPENDIX C–Specimen Municipal Bond Insurance Policy.”

RISK FACTORS

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

**- Financial Highlights -
(Unaudited)**

2020 Taxable Assessed Valuation (100% of Market Value)	\$245,240,529	(a)
Direct Debt		
Outstanding Bonds (As of May 1, 2021)	\$4,455,000	
Less: The Refunded Bonds	(3,330,000)	
The Bonds	<u>3,329,999</u>	
Total Direct Debt	\$4,454,999	
Estimated Overlapping Debt	<u>11,927,136</u>	(b)
Direct and Estimated Overlapping Debt	<u>\$16,382,135</u>	
Direct Debt Ratios:		
Direct Debt to Value	1.82%	
Direct & Estimated Overlapping Debt to Value	6.68%	
2020 Tax Rate per \$100 of Assessed Value		
Debt Service	\$0.155	
Maintenance	<u>0.283</u>	
Total	<u>\$0.438</u>	
	<u>Current</u>	<u>Total</u>
2019 Tax Collection Percentage	96.38%	97.45%
Five-Year Average (2015/2019) Collection Percentage	97.42%	99.00%
Average Annual Debt Service Requirements (2021/38)		\$323,491
Maximum Annual Debt Service Requirements (2027)		\$374,000
Tax Rate Required to pay such Requirements at 98%		
Average (2021/2038)		\$0.135
Maximum (2027)		\$0.156
Fund Balances as of May 6, 2021 (Cash & Investments)		
General Fund	\$2,205,984	
Debt Service Fund	\$249,160	(c)
Capital Projects Fund	\$894,896	

(a) Certified by the Harris County Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."

(b) See "DISTRICT DEBT--Estimated Overlapping Debt."

(c) Neither Texas law nor the Bond Order requires that the District maintain any particular balance in such fund.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119
\$ 3,329,999.20
WATERWORKS AND SEWER SYSTEM COMBINATION
UNLIMITED TAX AND REVENUE REFUNDING BONDS, SERIES 2021

This Official Statement of Harris County Municipal Utility District No. 119 (the "District") is provided to furnish certain information with respect to the sale by the District of its \$ 3,329,999.20 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2021 (the "Bonds").

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas and an order authorizing the issuance of the Bonds (the "Order") adopted by the Board of Directors of the District (the "Board"); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; Chapter 1207 of the Texas Government Code, as amended; and City of Houston Ordinance No. 97-416. See "THE BONDS." The Board has delegated final pricing of the Bonds to an authorized representative who will execute an approval certificate (the "Approval Certificate") on the date of sale of the Bonds to effectuate the sale. The Order and the Approval Certificate are collectively referred to herein as the "Bond Order."

This Official Statement includes descriptions of the Bonds, the Bond Order and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document, copies of which may be obtained by contacting the District, c/o Strawn & Richardson, P.C., 1155 Dairy Ashford Road, Suite 875, Houston, Texas 77079.

THE BONDS

Description

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

The Bonds will bear interest at the per annum rates and are scheduled to mature on May 1 in the years and in the principal amounts and Maturity Amounts (hereinafter defined), as appropriate, shown on the inside cover page hereof. Interest on the Bonds scheduled to mature May 1 of the years 2022 through 2027 and May 1 of the years 2029 and 2030 and May 1 of the years 2032, 2034, 2036 and 2038 (collectively, the "Current Interest Bonds") will be computed on the basis of a 360-day year of twelve 30-day months and will accrue from June 15, 2021, and be payable on November 1, 2021 and each May 1 and November 1 thereafter until the earlier of maturity or redemption. The Bonds maturing May 1, 2032, 2034, 2036 and 2038 are collectively the "Term Bonds.") Interest on the Bonds scheduled to mature May 1, 2028 (the "Premium Compound Interest Bond") will accrete from the date of delivery of the Bonds, will be computed on the basis of a 360 day year of twelve 30-day months, will be compounded May 1 and November 1 of each year, commencing November 1, 2021, and will be payable only upon maturity. See "APPENDIX B--Schedule of Accreted Values for Premium Compound Interest Bonds." The Current Interest Bonds are issuable in denominations of \$5,000 of principal amount or integral multiples thereof and the Premium Compound Interest Bonds in denominations of \$5,000 of the total amount of principal and accreted interest payable upon maturity (the "Maturity Amount") or any integral multiple thereof. Interest on Current Interest Bonds will be payable to the Registered Owners as of the fifteenth day of the next preceding month prior to each interest payment date (the "Record Date") by check or draft mailed to their addresses shown on the bond register kept by the Paying Agent/Registrar (hereinafter defined) or in accordance with other customary arrangements acceptable to the Paying Agent/Registrar and owner.

Principal of and interest on the Current Interest Bonds and the Maturity Amount of the Premium Compound Interest Bonds will be payable to Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), by the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"). Cede & Co. will make distribution of the amounts so paid to the beneficial owners of the Bonds. For

so long as DTC shall continue to serve as securities depository for the Bonds, all transfers of beneficial ownership interest will be made by book-entry only and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of the Bonds is to receive, hold or deliver any Bond certificate.

If at any time, DTC ceases to hold the Bonds as securities depository, then principal of the Bonds will be payable to the registered owner at maturity or redemption upon presentation and surrender at the principal payment office of the Paying Agent/Registrar.

Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th day of the month next preceding the interest payment date (the "Record Date").

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

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

Use of Proceeds

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

Sources:

Par Amount of Bonds	\$3,329,999.20
Net Reoffering Premium	192,825.75
Accrued Interest	<u>5,049.72</u>
Total Sources	<u><u>\$3,527,874.67</u></u>

Uses:

Deposit to Current Refunding Fund	\$3,355,717.25
Cost of Issuance	131,539.07
Underwriter's Discount	28,772.06
Deposit to Debt Service Fund	5,049.72
Miscellaneous	<u>6,796.57</u>
Total Uses	<u><u>\$3,527,874.67</u></u>

Refunded Bonds

Proceeds of the Bonds will be used to currently refund the outstanding portions of the District's Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2012 and the Waterworks and Sewer System Unlimited Tax and Revenue Bonds, Series 2014 (collectively, the "Refunded Bonds"), and to pay the costs of issuance of the Bonds. The Refunded Bonds will be redeemed on July 13, 2021. The Refunded Bonds consist of the following:

	<u>Series 2012</u>	<u>Series 2014</u>
<u>Maturity</u>	<u>Amount</u>	<u>Amount</u>
2022	\$50,000	
2023	55,000	
2024	60,000	
2025	65,000	
2026	65,000	
2027	70,000	
2028	75,000	\$130,000
2029	80,000	140,000
2030	85,000	145,000
2031	95,000	145,000
2032	100,000	150,000
2033	105,000	160,000
2034	115,000	165,000
2035	120,000	175,000
2036	130,000	180,000
2037	135,000	190,000
2038	<u> </u>	<u>345,000</u>
Totals	<u>\$1,405,000</u>	<u>\$1,925,000</u>

Payment of Refunded Bonds

In the Bond Order, the District will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Bonds from money held by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent for the Refunded Bonds").

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

The Bond Order provides that from a portion of the proceeds of the sale of the Bonds to the Underwriter, 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.

Ritz & Associates PA, A Professional Association, a firm of independent certified public accountants, will verify at the time of delivery of the Bonds to the Underwriter thereof the mathematical accuracy of the schedules that demonstrate the funds on deposit with the Paying Agent for the Refunded Bonds will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Such funds on deposit with the Paying Agent for the Refunded Bonds will not be available to pay the Bonds. See “VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS.”

By the deposit of the cash with the Paying Agent for the Refunded Bonds, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, and the order authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such deposit, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds, and such Refunded Bonds will be deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds deposited with the Paying Agent for the Refunded Bonds.

Book-Entry-Only System

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

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

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

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

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

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

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the

Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC. Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District or the Financial Advisor.

Registration and Transfer

The Bonds will be transferable only on the bond register kept by the Paying Agent/Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal aggregate principal of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the principal office of the Paying Agent/Registrar in Dallas, Texas. No service charge will be made for any registration, transfer or exchange of Bonds, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. Neither the District nor the Paying Agent/Registrar is required to issue, transfer or exchange any Bond during the period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning 15 calendar days prior to the date of the first mailing of any notice of redemption and ending at the close of business on the date of such mailing, or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

Mandatory Redemption

The Bonds maturing May 1 in each of the years 2032, 2034, 2036 and 2038 (collectively, the “Term Bonds”) are subject to mandatory redemption in part prior to maturity in the amounts (subject to redemption as described below) and on the dates set out below, at a price equal to the principal amount to be redeemed plus accrued interest to the redemption date:

<u>Redemption Date</u>		<u>Principal Amount</u>
	<i>\$510,000 Term Bonds Due May 1, 2032</i>	
May 1, 2031		\$255,000
May 1, 2032 (maturity)		255,000
	<i>\$540,000 Term Bonds Due May 1, 2034</i>	
May 1, 2033		\$265,000
May 1, 2034 (maturity)		275,000
	<i>\$580,000 Term Bonds Due May 1, 2036</i>	
May 1, 2035		\$285,000
May 1, 2036 (maturity)		295,000
	<i>\$625,000 Term Bonds Due May 1, 2038</i>	
May 1, 2037		\$305,000
May 1, 2038 (maturity)		320,000

The particular Term Bonds to be mandatorily redeemed shall be selected by lot or other customary random selection method. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, at least 45 days prior to such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds maturing on and after May 1, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof on May 1, 2028, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. If fewer than all of the Bonds are to be optionally redeemed, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District. If fewer than all of the Bonds of a certain maturity are to be redeemed, the Paying Agent/Registrar shall select by lot those Bonds to be redeemed (or such Bonds shall be selected by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

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

Ownership

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

Source of and Security for Payment

The Bonds (together with the Outstanding Bonds (hereinafter defined) and any additional combination unlimited tax and revenue bonds as may hereafter be issued by the District) are payable as to principal and interest from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District and are further payable from a pledge of and lien on certain Net Revenues, if any, of the District's System (herein defined).

- Tax Pledge -

The Board covenants in the Bond Order that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax, without legal limit as to rate or amount, and will undertake to collect such a tax, against taxable property within the District at a rate from year to year sufficient, with full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds, the Remaining Outstanding Bonds (hereinafter defined) and any additional bonds payable from taxes, as it becomes due, to provide for the payment of principal when due or the redemption price at any earlier redemption date and to pay the expenses of assessing and collecting such tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in a special account or accounts of the District designated as a "Debt Service Fund." Currently the District has a single Debt Service Fund into which it deposits all of its ad valorem tax revenue designated for debt service payments and out of which it pays all of its debt service requirements when due on all of its parity bonds which include the Bonds, the Outstanding Bonds and any future parity bonds issued by the District.

- Net Revenues Pledge -

Net Revenues of the System are pledged and assigned in the Bond Order to the payment of the Bonds, the Remaining Outstanding Bonds and any future tax and revenue bonds or revenue bonds issued by the District, all equally and ratably. "Net Revenues" are defined in the Bond Order as all income or increment which may grow out of ownership and operation of the District's plants, facilities and improvements, less such portion of such revenue income as reasonably may be required to provide for the administration of the District and for the efficient operation and adequate maintenance of such plants, facilities and improvements and which may be derived from contracts with persons, private corporations, municipalities or political subdivisions, which, under the terms of the authorizing resolutions or orders may be pledged for the requirements of the District's revenue bonds issued particularly to finance the facilities needed in performing any such contracts. The District has never realized sufficient Net Revenues to apply to the payment of its previously-issued bonds and does not currently anticipate using any Net Revenues for payment of the Bonds. Information with respect to revenue and expenses of the District is included in the Financial Statements of the District included as "APPENDIX A."

Replacement of Paying Agent/Registrar

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

Authority for Issuance

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas and an order authorizing the issuance of the Bonds (the "Order") adopted by the Board of Directors of the District (the "Board"); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; Chapter 1207 of the Texas Government Code, as amended; and City of Houston Ordinance No. 97-416.

Outstanding Debt

The District has previously issued its \$1,690,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2012 (the "Series 2012 Bonds"); \$1,925,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2014 (the "Series 2014 Bonds"); and \$1,970,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2015 (the "Series 2015 Bonds").

As of May 1, 2021, \$1,405,000 of the Series 2012 Bonds, \$1,925,000 of the Series 2014 Bonds, and \$1,125,000 of the Series 2015 Bonds remain outstanding (collectively, the "Outstanding Bonds"). Excluding the Refunded Bonds, an aggregate of \$4,454,999 principal amount of the bonds will remain outstanding (the "Remaining Outstanding Bonds") after the delivery of the Bonds.

The District has timely made all payments due on the Outstanding Bonds.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Texas Commission on Environmental Quality (the "TCEQ"), to provide those improvements for which the District was created. The District has \$20,095,000 of unlimited tax and revenue bonds authorized by the District's voters but unissued. The District has no plans to sell additional bonds within the next twelve months, although preliminary discussions are underway regarding a sanitary sewer rehabilitation.

According to the District's Engineer, the remaining authorized but unissued bonds will be sufficient to extend the utility system to the remaining undeveloped acres within the District. Depending upon the rate of development and increases

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

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

Defeasance

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

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

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

Mutilated, Lost, Stolen or Destroyed Bonds

The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Annexation

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. See "Strategic Partnership" below.

Strategic Partnership

The District and the City entered into a strategic partnership agreement ("SPA") on May 8, 2012, effective for a thirty year term, subject to the default provisions therein. The SPA is permitted under state law for the limited purpose annexation by the City of certain commercial property within the District. The SPA requires the City to impose a one percent (1%) sales and use tax within the annexed tract, the proceeds of which shall be equally shared between the City and the District. The District can make no representation as to the effect of such receipts on the finances of the District. In addition, the City may not annex for full purposes any part of the District during the effective term of the SPA and the District remains authorized to exercise all powers and functions of a municipal utility district provided by existing law or any amendments or additions thereto. At the end of the term of the SPA, the parties may agree to extend the SPA, allow the SPA to expire or the City may annex the entire District for full purposes. Amounts received by the District pursuant to the SPA are not pledged to the payment of the Bonds.

Amendments to the Bond Order

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

Registered Owners' Remedies and Effects of Bankruptcy

The Bond Order provides that, in the event the District defaults in the observance or performance of any covenant in the Bond Order, including payment when due of the principal of and interest on the Bonds, any registered owner may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board or other officers of the District to observe or perform any covenants, obligations or conditions prescribed by the Bond Order. Such right is in addition to other rights of the registered owners of the Bonds that may be provided by the laws of the State of Texas.

The Bond Order does not provide additional remedies to a registered owner. Specifically, the Bond Order does not provide for appointment of a trustee to protect and enforce the interests of the registered owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus may have to be relied upon from year to year by the registered owners.

Under Texas law, no judgment obtained against the District may be enforced by execution or a levy against the District's public purpose property. The registered owners cannot themselves foreclose on taxable property within the District or sell property within the District in order to pay principal of and interest on the Bonds. In addition, the enforceability of the rights and remedies of the registered owners may be subject to limitation pursuant to federal bankruptcy laws or other similar laws affecting the rights of creditors of political subdivisions.

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. Sections 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 debt; 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 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

Pursuant to Chapter 1201, Texas Government Code, and Section 49.186 Texas Water Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and (b) legal investments and lawful security for the public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas. The Bonds are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State of Texas or any political subdivision or public agency of the State of Texas and are lawful and sufficient security for those deposits to the extent of their market value.

Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than "A" or its equivalent to be legal investments for such entity's funds. The District makes no representation that the Bonds will be acceptable to banks, savings and loan associations or public entities for investment purposes or to secure deposits of public funds. The District has made no investigation of other laws, regulations or investment criteria which might apply to or otherwise limit the suitability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability of the Bonds for investment or collateral purposes.

BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

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

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

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

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 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 of AGM 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 (Europe) pic (“AGE UK”) and Assured Guaranty (Europe) SA (“AGE SA”), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

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.”

THE DISTRICT

Authority

The District is vested with all of the rights, privileges, authority, and functions conferred by the general laws of the State applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate, acquire, own, and maintain all water and wastewater facilities, improvements and the control and diversion of storm water. The District is additionally empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to issue bonds for such purposes, after approval by the City of Houston and the TCEQ and the District's voters of the District's plans in such regard. The District is subject to the continuing supervisory jurisdiction of the TCEQ.

Description

The District lies entirely within Harris County, Texas, and the exclusive extraterritorial jurisdiction of the City of Houston (the “City”). All of the property within the District lies within either Klein Independent School District or Aldine Independent School District. The District contains approximately 639 acres. The District is located north of and adjacent to the city limits of the City, to the west of Antoine Drive and to the east of North Houston Rosslyn Road, approximately 10 miles from the Houston Central Business District.

According to the District’s Engineer, the land within the District is relatively flat, sloping gradually from northwest to southeast. Land elevations in the District range from approximately 102 feet above mean sea level (“msl”) to approximately 82 feet above msl. The current Flood Insurance Rate Map (“FIRM”) dated June 9, 2014, shows a portion of the District, approximately 17.5 acres of developed property, within the 100 year flood plain. Such acreage includes approximately 4.6 acres of multifamily residential, 7.1 acres of commercial property and approximately 5.8 acres of drainage channels and roadways. The current FIRM is a result of information incorporated following revision to the Tropical Storm Allison data.

Management of the District

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

<u>Name</u>	<u>Title</u>	<u>Term Expires November</u>
Doris H Hollins	President	2024
Eliza Stein	Vice President	2022
F Daniel Rodriguez	Secretary	2024
Kenneth Tatum	Assistant Secretary	2024
Victoria McNeely	Assistant Secretary	2022

The District has no employees but contracts for the services indicated below:

Auditor - The District's audited financial statements for the year ended June 30, 2020 were prepared by Mark C. Eyring CPA, PLLC, Stafford, Texas. A copy of such audit appears herein as Appendix A.

Bond Counsel and General Counsel - The District has engaged Strawn & Richardson, P.C., Houston, Texas, as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of Bonds actually issued and sold; and therefore, such fees are contingent on the sale and delivery of the Bonds. In addition, Strawn & Richardson P.C. serves as general counsel to the District on matters other than the issuance of bonds. See "LEGAL MATTERS."

Special Tax Counsel - McCall, Parkhurst & Horton L.L.P., Dallas, Texas

Bookkeeper - The District's bookkeeper is Myrtle Cruz, Inc., Houston, Texas.

Financial Advisor - The District's financial advisor is Blitch Associates, Inc., Houston, Texas ("Blitch").

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

Operator - The District's System is operated by Regional Water Corporation, Houston, Texas.

Tax Assessor/Collector - The District's Tax Assessor/Collector is Utility Tax Service, LLC, Houston, Texas.

Previous Financial Advisor - The District's previous financial advisor was Carlin Short ("Short"), with whom Blitch had been discussing the sale of Short's financial advisory business for several years. By Fall 2012, Blitch and Short had come to an agreement whereby Short would recommend to his water district clients that Blitch replace him as financial advisor. Since such replacement requires specific approval by each board of directors, there was no certainty that each such replacement would ensue. Consequently, in order to arrive at a sales price, it was agreed that Short would receive 50% of the financial advisory fees from bond sales received by Blitch from Short's previous water district clients. Accordingly, 50% of the fee generated from the sale of the Bonds will be forwarded to Short.

Status of Development

As of May 1, 2021, the District has a total of 2,126 connections to the utility system, including 1,542 completed homes, no houses under construction, 1 vacant developed lot, 1 home destroyed by fire and demolished, commercial development including approximately 39 acres of multi-family dwellings totaling 838 units in 8 complexes, four retail shopping centers, one convenience store, two day care centers, one church, two civic association recreation centers, one elementary school (not subject to taxation by the District), office buildings, nine miscellaneous commercial buildings, approximately three acres for a proposed church served with District facilities, and approximately 21 acres of developable commercial acreage.

Photographs Taken in the District (May 2021)









DISTRICT DEBT

Debt Statement

2020 Taxable Assessed Valuation (100% of Market Value)	\$245,240,529	(a)
Direct Debt		
Outstanding Bonds (As of May 1, 2021)	\$4,455,000	
Less: The Refunded Bonds	(3,330,000)	
The Bonds	<u>3,329,999</u>	
Total Direct Debt	\$4,454,999	
Estimated Overlapping Debt	<u>11,927,136</u>	(b)
Direct and Estimated Overlapping Debt	<u><u>\$16,382,135</u></u>	
Direct Debt Ratios:		
Direct Debt to Value	1.82%	
Direct & Estimated Overlapping Debt to Value	6.68%	
Average Annual Debt Service Requirements (2021/38)	\$323,491	
Maximum Annual Debt Service Requirements (2027)	\$374,000	
Fund Balances as of May 6, 2021 (Cash & Investments)		
General Fund	\$2,205,984	
Debt Service Fund	\$249,160	(c)
Capital Projects Fund	\$894,896	

(a) Certified by the Harris County Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."

(b) See "Estimated Overlapping Debt," below.

(c) Neither Texas law nor the Bond Order requires that the District maintain any particular balance in such fund.

Estimated Overlapping Debt

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

<u>Jurisdiction</u>	<u>Debt As Of May 1, 2021</u>	<u>Overlapping Percent</u>	<u>Overlapping Amount</u>
Aldine Independent School District	\$995,125,000	0.380%	\$3,781,475
Harris County (a)(b)	1,863,677,125	0.036%	670,924
Harris Co Department of Education	20,185,000	0.036%	7,267
Harris Co Flood Control District	334,270,000	0.036%	120,337
Harris Co Hospital District	81,540,000	0.036%	29,354
Klein Independent School District	1,071,025,000	0.627%	6,715,327
Lone Star College System	518,505,000	0.082%	425,174
Port of Houston Authority	492,439,397	0.036%	<u>177,278</u>
Estimated Overlapping Debt			\$11,927,136
The District (includes the Bonds and excludes the Refunded Bonds)			<u>4,454,999</u>
Total Direct & Estimated Overlapping Debt			<u>\$16,382,135</u>

(a) Includes \$191,020,000 Toll Tax and Subordinate Lien Road Bonds, which have historically been paid from toll road revenues and not ad valorem taxes.

(b) Includes \$378,735,000 Flood Control Contract Bonds, payable from Harris County tax funds.

Debt Service Schedule

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

<u>Year</u>	<u>Outstanding Debt Service</u>	<u>Refunded Debt Service</u>	<u>The Bonds Principal</u>	<u>The Bonds Interest</u>	<u>The Bonds Total D/S</u>	<u>Grand Total Debt Service</u>
2021	\$379,874	(\$64,293)		\$24,527	\$24,527	\$340,108
2022	378,836	(177,836)	\$90,000	63,575	153,575	354,575
2023	386,461	(181,261)	85,000	60,950	145,950	351,150
2024	397,636	(184,536)	90,000	58,325	148,325	361,425
2025	398,261	(187,661)	95,000	55,550	150,550	361,150
2026	403,411	(185,711)	95,000	52,700	147,700	365,400
2027	407,986	(188,686)	105,000	49,700	154,700	374,000
2028	318,149	(318,149)	240,000	48,125	288,125	288,125
2029	323,841	(323,841)	245,000	46,900	291,900	291,900
2030	324,719	(324,719)	250,000	44,113	294,113	294,113
2031	325,949	(325,949)	255,000	40,638	295,638	295,638
2032	326,831	(326,831)	255,000	36,813	291,813	291,813
2033	332,013	(332,013)	265,000	32,250	297,250	297,250
2034	336,388	(336,388)	275,000	26,850	301,850	301,850
2035	340,181	(340,181)	285,000	21,250	306,250	306,250
2036	343,281	(343,281)	295,000	15,450	310,450	310,450
2037	345,681	(345,681)	305,000	9,450	314,450	314,450
2038	<u>352,116</u>	<u>(352,116)</u>	<u>320,000</u>	<u>3,200</u>	<u>323,200</u>	<u>323,200</u>
	<u>\$6,421,614</u>	<u>(\$4,839,134)</u>	<u>\$3,550,000</u>	<u>\$690,365</u>	<u>\$4,240,365</u>	<u>\$5,822,845</u>

Average Annual Debt Service (2021/2038) \$ 323,491
 Maximum Annual Debt Service (2027) \$ 374,000

Historical Operations of the Debt Service Fund

The following statement sets forth in condensed form the historical operations of the District’s Debt Service Fund. Such information has been prepared based upon information obtained from the District’s audited financial, reference to which is made for further and complete information.

	<i>Fiscal Year Ended June 30,</i>				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues					
Property Taxes	\$353,268	\$765,569	\$731,632	\$722,795	\$727,094
Other	<u>15,440</u>	<u>30,587</u>	<u>36,537</u>	<u>21,396</u>	<u>20,770</u>
Total Revenues	\$368,708	\$796,156	\$768,169	\$744,191	\$747,864
Expenditures					
Principal Paid	\$190,000	\$286,561	\$288,438	\$340,000	\$255,000
Interest Paid	185,211	439,589	440,113	388,051	348,429
Cost of Collection	<u>36,471</u>	<u>40,100</u>	<u>47,544</u>	<u>43,000</u>	<u>39,367</u>
Total Expenses	<u>\$411,682</u>	<u>\$766,250</u>	<u>\$776,095</u>	<u>\$771,051</u>	<u>\$642,796</u>
Net Tax Revenues	(\$42,974)	\$29,906	(\$7,926)	(\$26,860)	\$105,068
Beginning Fund Balance	<u>400,467</u>	<u>627,793</u>	<u>635,719</u>	<u>662,579</u>	<u>557,511</u>
Ending Fund Balance	<u>\$357,493</u>	<u>\$657,699</u>	<u>\$627,793</u>	<u>\$635,719</u>	<u>\$662,579</u>
Ending Cash/Investments	<u>\$371,558</u>	<u>\$661,351</u>	<u>\$633,250</u>	<u>\$640,476</u>	<u>\$670,413</u>

TAX PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Remaining Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see “RISK FACTORS – Future Debt”), and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under “THE BONDS – Source of and Security for Payment.” For tax year 2020, a debt service tax rate of \$0.115 per \$100 assessed value has been levied within the District. 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. Voters in the District authorized the levy of a maintenance and operation tax of an unlimited amount. For tax year 2020, a maintenance and operation tax of \$0.283 per \$100 assessed value has been levied within the District.

Property Tax Code and County-Wide Appraisal Districts

Title I of the Texas Tax Code (the “Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Tax Code are complex and are not fully summarized here. The Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the

values established by the appraisal district.. The Harris County Appraisal District (the “Appraisal District”) has the responsibility of appraising property for all taxing units within the 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”).

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District currently grants a \$20,000 homestead exemption to persons who are 65 years of age or older and to disabled homestead owners. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran’s residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead if the surviving spouse has not remarried since the service member’s death and said property was the service member’s residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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

Residential Homestead Exemptions: The Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the 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 currently grants a 20% homestead exemption.

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 2012 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 2013 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

The County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City (after annexation of the land within the District), the County, and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. Currently, no part of the District has been designated as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

The 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 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 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 Tax Code to act on each claimant’s right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the

property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous five years for agricultural use and taxes for the previous five years for open space land and timberland.

The Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

During the 86th Regular Legislative Session, Senate Bill 2 (“SB 2”) was passed and signed by the Governor, with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See “Financial Highlights” for a description of the District’s current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 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 pursuant to SB 2 is described for each classification below.

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

A determination as to a district’s status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax rate. For the 2020 tax year, the District has

been classified as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

With certain exceptions for (i) residential homestead property owners sixty-five (65) years of age or older or disabled and who have an affidavit as required, and (ii) owners of residential homesteads who have entered into installment agreements with the District and who are not in default under same, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

Reappraisal of Property after Disaster

The Texas 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. Although the Texas governor declared Harris County (and therefore the District) a disaster area after Hurricane Harvey, the District did not authorize a reappraisal of property in the District.

Tax Payment Installments after Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date. The District does not anticipate that taxpayers in the District, if any, that choose to pay taxes in installments as a result of Hurricane Harvey will have a material effect on the District's finances or its ability to pay debt service on the Bonds.

TAX DATA

General

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

Tax Collection History

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

<u>Tax Year</u>	<u>Taxable Valuation</u>	<u>D/S Rate</u>	<u>M&O Rate</u>	<u>Total Rate</u>	<u>Tax Levy</u>	<u>Percent Current</u>	<u>Percent Total</u>	<u>FYE June 30</u>
2008	\$203,910,329	\$0.310	\$0.150	\$0.460	\$944,244	96.87%	99.81%	2009
2009	192,644,748	0.310	0.150	0.460	890,874	96.93%	98.73%	2010
2010	176,541,128	0.310	0.150	0.460	813,305	97.28%	100.18%	2011
2011	178,871,680	0.220	0.240	0.460	823,086	97.39%	99.49%	2012
2012	166,562,860	0.190	0.280	0.470	784,416	96.94%	99.71%	2013
2013	160,589,987	0.239	0.276	0.515	834,960	97.52%	100.53%	2014
2014	177,920,497	0.214	0.271	0.485	869,255	97.39%	99.04%	2015
2015	182,647,677	0.171	0.314	0.485	887,140	97.57%	98.90%	2016
2016	189,147,975	0.191	0.270	0.461	888,499	98.50%	100.66%	2017
2017	195,627,465	0.187	0.274	0.461	904,438	97.54%	100.07%	2018
2018	202,084,863	0.179	0.281	0.460	934,979	97.58%	97.91%	2019
2019	211,491,143	0.171	0.294	0.465	948,475	96.38%	97.45%	2020
2020	245,240,529	0.155	0.283	0.438	1,073,784	95.30%	96.08%	2021 (a)

(a) Collections for ten months ended April 30, 2021 only.

Estimated Overlapping Taxes

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

Set forth below are the 2020 tax rates per \$100 of assessed valuation levied by jurisdictions within which the District is included:

<u>Taxing Authority</u>	<u>2020 Tax Rates</u>	
	<u>Aldine ISD</u>	<u>Klein ISD</u>
Aldine Independent School District	\$1.274400	
Harris County	0.391160	\$0.391160
Harris County Department of Education	0.004993	0.004993
Harris County Emergency Services District No. 1	0.097210	0.097210
Harris County Emergency Services District No. 20	0.100000	0.100000
Harris County Flood Control District	0.031420	0.031420
Harris County Hospital District	0.166710	0.166710
Klein Independent School District		1.337300
Lone Star College System	0.107800	0.107800
Near Northwest Management District	(a)	(a)
Port of Houston Authority	<u>0.009910</u>	<u>0.009910</u>
Total Tax Rate per \$100 Assessed Valuation	\$2.183603	\$2.246503
The District	<u>0.438000</u>	<u>0.438000</u>
Total Direct and Overlapping Tax Rate	<u><u>\$2.621603</u></u>	<u><u>\$2.684503</u></u>

(a) Taxes for this entity are levied upon commercial property only; residential property is not taxed. The tax rate for 2020 was \$0.132 per \$100 assessed valuation.

Analysis of Tax Base

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the tax roll valuations for each of the years indicated:

	<u>2020 Amount</u>	<u>2020%'s</u>	<u>2019 Amount</u>	<u>2019%'s</u>
Land	\$59,108,504	19.52%	\$48,937,239	18.27%
Improvements	236,950,048	78.25%	212,944,834	79.50%
Personal Property	<u>6,753,646</u>	2.23%	<u>5,985,938</u>	2.23%
Subtotal	\$302,812,198		\$267,868,011	
Less: Exemptions (a)	<u>(57,336,523)</u>		<u>(56,376,868)</u>	
Total Taxable Value	<u>\$245,475,675</u>		<u>\$211,491,143</u>	
	<u>2018 Amount</u>	<u>2018 %'s</u>	<u>2017 Amount</u>	<u>2017 %'s</u>
Land	\$51,153,266	19.60%	\$50,858,746	20.16%
Improvements	201,416,944	77.17%	191,971,740	76.11%
Personal Property	<u>8,427,354</u>	3.23%	<u>9,414,741</u>	3.73%
Subtotal	\$260,997,564		\$252,245,227	
Less: Exemptions (a)	<u>(58,912,701)</u>		<u>(56,617,762)</u>	
Total Taxable Value	<u>\$202,084,863</u>		<u>\$195,627,465</u>	

(a) See "TAX PROCEDURES–Property Subject to Taxation by the District" for exemption details.

Note: Values shown above may reflect original certified amounts and may differ from those shown elsewhere herein.

Principal Taxpayers

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>2020 Ass'd Value</u>	<u>% Total 2020 AV</u>	<u>2019 Ass'd Value</u>	<u>% Total 2019 AV</u>
Texas Inwood Grove Apts	Apartments	\$18,818,207	7.67%	\$13,215,205	6.25%
Brown & Yonge LLC	Apartments	8,076,184	3.29%	5,297,824	2.50%
Inwood Central Property	Shopping Center	3,836,617	1.56%	3,702,907	1.75%
9510 N Houston Rosslyn	Office/Warehouse	3,234,365	1.32%	3,426,045	1.62%
Sumner Manufacturing Co	Light Industrial	3,099,429	1.26%	3,234,891	1.53%
American Business Center N	Residential Land	2,276,049	0.93%	1,598,657	0.76%
Three PCG4 LLC	Apartments	2,273,342	0.93%	(a)	
Inwood Storage LLC	Storage Facility	2,218,171	0.90%	2,203,327	1.04%
Isha Ventures LLC	Strip Center	2,039,445	0.83%	2,062,978	0.98%
Centerpoint Energy	Electric Utility	1,932,190	0.79%	1,918,580	0.91%
QNL LLC	Strip Center	<u>(a)</u>	<u> </u>	<u>2,010,718</u>	<u>0.95%</u>
Total--Top Ten		<u>\$47,803,999</u>	<u>19.49%</u>	<u>\$38,671,132</u>	<u>18.28%</u>

(a) Not among top ten taxpayers this year.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2020 Taxable Value (\$245,240,529). The calculations assume collection of 98% of taxes levied and the sale of no additional bonds (other than the Bonds) by the District.

Average Annual Debt Service Requirements (2021/2038)	\$323,491
Tax Rate of \$0.135 on the 2020 Taxable Value produces	\$324,453
Maximum Annual Debt Service Requirements (2027)	\$374,000
Tax Rate of \$0.156 on the 2020 Taxable Value produces	\$374,924

THE SYSTEM

Regulation

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

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

Description of the System

The water, wastewater and drainage facilities and the accompanying rights of use therein (the "System") which the District has financed with the proceeds of the Bonds and the Outstanding Bonds are described below, based upon information obtained from the District's Engineer:

Water Supply

Water supply for the District is currently provided by the District's two water supply plants, consisting of: (1) water well and pump of approximately 1,500 gallon per minute ("gpm") capacity, 840,000 gallons of ground storage capacity, 40,000 gallons of hydropneumatic tank capacity, booster pumps with a total rated capacity of 3,750 gpm, water disinfection equipment and an emergency power generator and (2) water well and pump of approximately 900 gpm capacity, 300,000 gallons of elevated storage capacity, water disinfection equipment and an emergency power generator. The District has water source interconnects with Harris County Municipal Utility District No. 118.

The Harris-Galveston Coastal Subsidence District (the "Subsidence District") was created by the Texas Legislature to reduce subsidence by regulating the withdrawal of groundwater within Harris and Galveston Counties. In 1999, the Subsidence District adopted its District Regulatory Plan ("Regulatory Plan") to control ground water withdrawals. The Regulatory Plan divides the Subsidence District's jurisdiction into regulatory areas. The Subsidence District's Regulatory Area 3 ("Area 3") generally encompasses northwest and western Harris County, including the District. Pursuant to the Regulatory Plan adopted January 9, 2013 and Amended May 8, 2013, specific major water users, including Area 3 must reduce groundwater withdrawals to no more than 70% by January 2010, to no more than 40% by January 2025 and to no more than 20% by January 2035.

The District has entered into a contract with the City of Houston dated March 6, 2003, for the purpose of compliance with the Regulatory Plan of the Subsidence District. The City has developed a regional groundwater reduction plan (the "GRP") on behalf of its participants, including the District, to meet the Regulatory Plan requirements. The City is developing financing strategies to fund the capital and operating costs for the City's construction and ownership of a system of surface water supply facilities and trunklines to deliver surface water. The City charges its participants fees that will fund these financing, capital and operating costs. Currently, the fee charged by the City is approximately \$0.807 per 1,000 gallons of water pumped. The District charges its customers a surcharge of \$0.89 per 1,000 gallons used.

The United States Environmental Protection Agency (the "EPA") revised standards for arsenic in drinking water, reducing the permissible amount from 50 parts per billion ("ppb") to 10 ppb effective in January, 2006. The District tested its two water wells and determined that one of the two wells produces water that exceeds the permissible limit. The District has constructed facilities to reduce the level of arsenic to comply with the current maximum levels and is pursuing the construction of additional facilities to improve the reduction process, which additional facilities are not expected to require the issuance of additional bonds.

Wastewater Collection and Treatment Facilities

Wastewater from the District is treated at an existing 200,000 gallon per day ("gpd") dry weather flow wastewater treatment plant owned by the District. In addition, the District owns the right to use an additional 1,500,000 gpd capacity in a plant owned and operated by the City. According to the Engineer, the combined capacity should be adequate to serve all of the development currently planned in the District. Wastewater collection lines have been extended to serve all of the developed property within the District.

Storm Drainage and the 100 Year Flood Plain

Storm drainage facilities financed by the District include construction of area detention facilities within the District. No participation fees are financed for regional detention facilities provided by the Harris County Flood Control District. Land elevations in the District range from approximately 102 feet above mean sea level ("msl") to approximately 82 feet above msl. The current Flood Insurance Rate Map ("FIRM") dated June 9, 2014, shows a portion of the District, approximately 17.5 acres of developed property, within the 100 year flood plain. Such acreage includes approximately 4.6 acres of multifamily residential, 7.1 acres of commercial property and approximately 5.8 acres of drainage channels and roadways. The current FIRM is a result of information incorporated following revision to the Tropical Storm Allison data.

Rate Order

The District's utility rate order, subject to change from time to time by Board, is summarized in part below and became effective September 17, 2020:

-Residential Water Rates-

First 5,000 gallons	\$11.25 minimum
5,000 to 10,000 gallons	\$0.75/1,000 gallons
10,000 to 15,000 gallons	\$0.95/1,000 gallons
15,000 to 20,000 gallons	\$1.15/1,000 gallons
20,000 to 25,000 gallons	\$1.35/1,000 gallons
Over 25,000 gallons	\$1.50/1,000 gallons

In addition, in order to pay for Groundwater Reduction Costs, all classes of water customers shall pay the most current assessment levied by the City of Houston plus ten percent (10%) per 1,000 gallons used.

-Residential Sewer Rates-

First 5,000 gallons	\$12.50 minimum
5,000 to 10,000 gallons	\$0.50/1,000 gallons
10,000 to 15,000 gallons	\$0.75/1,000 gallons
15,000 to 20,000 gallons	\$1.00/1,000 gallons
20,000 to 25,000 gallons	\$1.25/1,000 gallons
Over 25,000 gallons	\$1.50/1,000 gallons

Historical Operations of the General Operating Fund

The following statement sets forth in condensed form the historical operations of the District's General Operating Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such information has been prepared based upon information obtained from the District's audited financial statements (except for the ten month period ended April 30, 2021, which was extracted from unaudited District records), reference to which is made for further and complete information. Reference is made to "APPENDIX A" for further and complete information on the audited financial statements. Net Revenues are pledged to the payment of the Bonds and the Remaining Outstanding Bonds but have not made, nor are they expected to make, any significant contribution, if any, to debt service on the Bonds or the Remaining Outstanding Bonds.

	<i>7/1/2020 to</i>		<i>Fiscal Year Ended June 30,</i>			
	<i>4/30/2021(a)</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>
Revenues						
Property Taxes	\$641,733	\$605,748	\$559,280	\$537,398	\$522,228	\$566,770
Water Service	423,064	436,159	442,232	419,843	379,023	398,226
Surface Water Fees	168,253	207,856	200,462	197,144	168,895	170,111
Wastewater Service	360,017	456,007	461,564	440,443	400,378	419,849
Garbage Collection	220,982	265,062	270,668	295,154	287,869	281,842
Sales & Use Tax	72,866	65,892	74,309	64,000	78,990	40,557
Investment Earnings	12,120	31,778	34,034	18,300	8,624	5,608
Other	<u>121,087</u>	<u>63,841</u>	<u>86,904</u>	<u>96,575</u>	<u>99,453</u>	<u>99,845</u>
Total Revenues	\$2,020,122	\$2,132,343	\$2,129,453	\$2,068,857	\$1,945,460	\$1,982,808
Expenses						
Purchased Services	\$260,178	\$304,960	\$295,285	\$287,383	\$277,784	\$271,978
Professional Fees	169,966	177,131	202,549	224,813	210,855	151,660
Contracted Services	88,219	165,088	159,616	157,228	156,288	155,216
Utilities	114,504	113,697	118,827	113,612	104,439	118,773
Surface Water Fees	147,150	225,730	213,470	198,850	145,747	249,976
Repairs/Maintenance	316,762	250,357	235,789	260,706	288,421	277,665
Garbage Disposal	223,916	269,688	281,631	301,082	291,287	282,748
Security Service	209,502	241,206	237,132	232,526	230,226	211,149
Administrative/Other	166,449	77,625	86,634	78,996	78,346	89,009
Capital Outlay	<u>165,682</u>	<u>294,249</u>	<u>164,685</u>	<u>319,585</u>	<u>22,377</u>	<u>27,216</u>
Total Expenditures	<u>\$1,862,327</u>	<u>\$2,119,731</u>	<u>\$1,995,618</u>	<u>\$2,174,781</u>	<u>\$1,805,770</u>	<u>\$1,835,390</u>
Net Revenue (b)	<u>157,795</u>	<u>\$12,612</u>	<u>\$133,835</u>	<u>(\$105,924)</u>	<u>\$139,690</u>	<u>\$147,418</u>
Fund Balance, July 1		1,887,862	1,754,027	1,859,951	1,720,261	1,572,843
Fund Balance, June 30		<u>\$1,900,474</u>	<u>\$1,887,862</u>	<u>\$1,754,027</u>	<u>\$1,859,951</u>	<u>\$1,720,261</u>
Cash/Inv., June 30 (b)		<u>\$2,010,955</u>	<u>\$1,947,152</u>	<u>\$1,819,994</u>	<u>\$1,921,709</u>	<u>\$1,837,121</u>
Cash as % of Exp (c)		110.16%	106.35%	98.10%	107.76%	101.60%
Active Water Customers		1,542	1,541	1,547	1,543	1,540

(a) Unaudited; compiled from District records

(b) Exclusive of customer deposits.

(c) Calculated after Capital Outlay deducted.

RISK FACTORS

General

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

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 the State. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the "President") declared the Pandemic a national emergency and the State Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in the State (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.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and caused volatility in financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within the State. Stock values and crude oil prices, in the U.S. and globally, have seen significant volatility attributed to COVID-19 concerns. The State 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 and volatility, if continued, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

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

Potential Effects of Oil Price Declines on the Houston Area

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

Extreme Weather Events

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

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e., a "500-year flood" event) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to Regional Water Corporation (the "Operator"), there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, to the best knowledge of the District, no homes or other improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region.

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

Specific Flood Type Risks

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

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

experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

Harris County Floodplain Regulations

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

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

The new and amended Harris County regulations may have a negative impact on new development in the District as well as on the rehabilitation of existing homes impacted by flooding or other natural disasters. None of the developable undeveloped acres within the District are located within the floodplain.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The growth of taxable values in the District is directly related to the vitality of the commercial development and housing and building industry in the Houston metropolitan area. The housing and building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions. In addition to a decline in housing demand, mortgage foreclosure by private banks and government and financial institutions can depress housing prices and the value of residential real estate in the Houston metropolitan area. The Houston economy is still dependent on energy prices and a precipitous decline in such prices could result in additional adverse effects on the economy.

Maximum Impact on District Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2020 Taxable Valuation is \$245,240,529. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement (2027) is \$374,000 and the average annual debt service requirements (2021/2038) is \$323,491. Assuming no increase or decrease from the 2020 Taxable Valuation and no use of funds other than tax collections, tax rates of \$0.156 and \$0.135 per \$100 assessed valuation at a 98% collection rate against the 2020 Assessed Valuation, respectively, would be necessary to pay such debt service requirements. The Board levied a tax rate of \$0.155 for debt service purposes and a tax rate of \$0.283 for maintenance and operation purposes for tax year 2020. See "DISTRICT DEBT--Pro Forma Debt Service Schedule" and "TAX DATA--Tax Rate Calculations."

Overlapping Tax Rates

Consideration should be given to the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The combination of the District's tax rate and the overlapping taxing entities' tax rates is higher than the combined tax rates levied upon certain other comparable developments in the market area. Consequently, an increase in the District's tax rate above those anticipated above may have an adverse impact on future development or the construction of taxable improvements in the District. See "DISTRICT DEBT--Estimated Overlapping Debt" and "TAX DATA--Estimated Overlapping Taxes."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Because ownership of the land within the District may become highly fragmented among a number of taxpayers, attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer.

Registered Owners' Remedies

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 levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Order 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. Although 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 IX bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the registered owners.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of 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 discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owner's remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivisions.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect 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 the registered owner's claim against a district.

The District may not be placed into bankruptcy involuntarily.

Environmental Regulation

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

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

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

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

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

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

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

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

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

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 90 contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

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

The District is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. In order to maintain MS4 Permit compliance, the District is partnering with the City, to participate in the City’s program to develop, implement, and maintain the required plan (the “MS4 Permit Plan”) as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. While the District does not have its own independent MS4 Permit Plan, the District has taken all necessary steps required by the City to be included in the City’s MS4 Permit Plan in order to obtain MS4 Permit compliance with the TCEQ. If at any time in the future the District were required to maintain independent coverage under the MS4 Permit, it is anticipated that the District could incur substantial additional costs to develop and implement its own program necessary 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 (4) 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.

Future Debt

Following issuance of the Bonds, the District has \$20,095,000 in authorized but unissued combination unlimited tax and revenue bonds. The District has the right to issue such bonds and such additional bonds as may hereafter be approved by both the Board and voters of the District. The remaining authorized but unissued bonds may be issued by the District from time to time as needed.

Proposed Tax Legislation

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

Continuing Compliance with Certain Covenants

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

Marketability

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

Approval of the Bonds

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

LEGAL MATTERS

The District will furnish the Underwriter a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the legal opinion of Strawn & Richardson P.C., Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are legal, valid and binding obligations of the District. Issuance of the Bonds is also subject to the legal opinion of Special Tax Counsel to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under “TAX MATTERS.” Such opinions will express no opinions with respect to the sufficiency of the security for or the marketability of the Bonds.

Legal Review

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

No-Litigation Certificate

On the date of delivery of the Bonds to the Underwriter, the District will execute and deliver to the Underwriter a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date, of which the District

has notice, to restrain or enjoin the issuance or delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner question the validity of the Bonds.

No Material Adverse Change

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

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District secured by the proceeds of an ad valorem tax levied, without limit as to rate or amount, upon all taxable property in the District and, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the legal opinion of Bond Counsel to the effect that (1) the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and (2) are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law and from net revenues, if any, derived from operation of the District's System. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

In addition to serving as Bond Counsel, Strawn & Richardson, P.C., also acts as counsel to the District on matters not related to the issuance of Bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of 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 its counsel, McCall, Parkhurst & Horton, L.L.P., Houston, Texas.

TAX MATTERS

Opinion

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

In rendering its opinion, Special Tax Counsel will rely upon (a) the opinion of Strawn & Richardson, P.C., Bond Counsel, that the Bonds are valid and binding obligations of the District payable from the proceeds of a generally-applicable ad valorem tax, (b) the District's federal tax certificate and the verification report prepared by Ritz & Associates PA and (c) covenants of the District with respect to arbitrage compliance, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure by the District to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Special Tax Counsel to the District is conditioned on compliance by the District with such requirements, and Special Tax Counsel to the District has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds or the Refunded Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Special Tax Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for the Bonds maturing May 1, 2028 through 2032, inclusive, May 1, 2036 and May 1, 2038 are less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld

would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

The District expects to designate the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be "qualified tax-exempt obligations."**

CONTINUING DISCLOSURE OF INFORMATION

The District, in the Bond Order, has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available free of charge from the Municipal Securities Rule Making Board ("MSRB") via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data, which is customarily prepared by the District and is publically available to the MSRB. 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 under

the headings “THE BONDS–Issuance of Additional Debt,” “DISTRICT DEBT–Debt Statement” and “–Debt Service Schedule;” “TAX DATA–Tax Collection History,” “–Estimated Overlapping Taxes,” “–Analysis of Tax Base,” and “–Principal Taxpayers;” and “APPENDIX A–Financial Statements of the District.”

The financial information and operating data which will be provided is found in the annual audit report, within six months after the end of each of its fiscal years. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report 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 and if the audit report becomes available.

The District’s current fiscal year end is June 30. Accordingly, it must provide updated information by the last day of December 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 determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the SEC Rule 15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of 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 within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and order of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Availability of Information From EMMA

Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org. The District has agreed in the Bond Order to provide the foregoing information only to the MSRB through EMMA. The information will be available to holders of Bonds only if the holders comply with the procedures of the MSRB or obtain the information through securities brokers who do so.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain events only as described above. The District has not agreed to provide other information that may be relevant or material to 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 of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as any changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional 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. 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 under “Annual Reports,” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided. The District may also amend or repeal the agreement if the United States Securities and Exchange Commission (“SEC”) amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgement that such provisions of the Rule are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

Due to an oversight, the District failed to include in its additional financial information statements, the section “THE BONDS—Debt Service Schedule. The District has implemented procedures to ensure timely and complete filing of all future submissions. Other than such omission, 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.

VERIFICATION OF ACCURACY OF MATHEMATICAL CALCULATIONS

Ritz & Associates PA, a firm of independent certified public accountants will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the funds deposited with the Paying Agent for the Refunded Bonds for the payment of the Refunded Bonds; (b) the mathematical computations of yield used by Special Tax Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal tax purposes; and (c) compliance with the City of Houston Ordinance 97-416.

Ritz & Associates PA relied upon the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Ritz & Associates PA has relied on any information provided to it by the District's retained advisors, consultants or legal counsel.

PREPARATION OF OFFICIAL STATEMENT

General

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

Consultants

The information contained in this Official Statement relating to the physical characteristics of the District and engineering matters and, in particular, that engineering information included in the sections captioned "THE DISTRICT" and "THE SYSTEM" has been provided by the District's Engineer and has been included herein in reliance upon the authority of such firm as experts in the field of civil engineering.

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

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

Updating the Official Statement

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

Certification of Official Statement

The District, acting through the Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements and descriptions pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the Board has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the

statements herein, in light of the circumstances under which they are made, not misleading; however, the Board can give no assurance as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly certified and approved by the Board of Directors of Harris County Municipal Utility District No. 119 as of the date specified on the first page hereof.

/s/ Eliza Stein
Vice-President, Board of Directors
Harris County Municipal Utility District No. 119

ATTEST:

/s/ F. Daniel Rodriguez
Secretary, Board of Directors
Harris County Municipal Utility District No. 119

APPENDIX A—Financial Statements of the District

HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 119
HARRIS COUNTY, TEXAS
ANNUAL AUDIT REPORT
JUNE 30, 2020

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October 15, 2020

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 119
Harris County, Texas

I have audited the accompanying financial statements of the governmental activities and each fund of Harris County Municipal Utility District No. 119, as of and for the year ended June 30, 2020, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Harris County Municipal Utility District No. 119 as of June 30, 2020, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)**Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 7 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 20 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 21 to 38 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

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

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Harris County Municipal Utility District No. 119 (the "District") annual report, the District's Board of Directors ("Management") provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2020.

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Financial Analysis of the District as a Whole

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

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

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

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

<u>Summary of Net Position</u>			
	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Current and other assets	\$ 3,924,743	\$ 4,008,792	\$ (84,049)
Capital assets	6,233,467	6,078,071	155,396
Total assets	<u>10,158,210</u>	<u>10,086,863</u>	<u>71,347</u>
Long-term liabilities	4,706,346	4,897,478	(191,132)
Other liabilities	588,267	445,078	143,189
Total liabilities	<u>5,294,613</u>	<u>5,342,556</u>	<u>(47,943)</u>
Net position:			
Invested in capital assets, net of related debt	1,527,121	1,180,593	346,528
Restricted	1,397,835	1,650,639	(252,804)
Unrestricted	1,938,641	1,913,075	25,566
Total net position	<u>\$ 4,863,597</u>	<u>\$ 4,744,307</u>	<u>\$ 119,290</u>

<u>Summary of Changes in Net Position</u>			
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 994,318	\$ 935,496	\$ 58,822
Charges for services	1,428,925	1,462,130	(33,205)
Other revenues	104,285	118,664	(14,379)
Total revenues	<u>2,527,528</u>	<u>2,516,290</u>	<u>11,238</u>
Expenses:			
Service operations	2,225,109	2,231,864	(6,755)
Debt service	183,129	190,084	(6,955)
Total expenses	<u>2,408,238</u>	<u>2,421,948</u>	<u>(13,710)</u>
Change in net position	119,290	94,342	24,948
Net position, beginning of year	<u>4,744,307</u>	<u>4,649,965</u>	<u>94,342</u>
Net position, end of year	<u>\$ 4,863,597</u>	<u>\$ 4,744,307</u>	<u>\$ 119,290</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended June 30, 2020, were \$3,273,338, a decrease of \$251,455 from the prior year.

The General Fund balance increased by \$12,612, in accordance with the District's financial plan. The Board of Directors has adopted policies designed to build the balance in the General Fund to cover the anticipated costs of rehabilitation and repair of aging water distribution and sanitary sewage collection systems.

The Debt Service Fund balance decreased by \$42,974, in accordance with the District's financial plan.

The Capital Projects Fund balance decreased by \$221,093, as authorized expenditures exceeded interest earnings.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 20 of this report. The budgetary fund balance as of June 30, 2020, was expected to be \$1,942,200 and the actual end of year fund balance was \$1,900,474.

Capital Asset and Debt Administration

Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Land	\$ 251,029	\$ 251,029	\$ 0
Detention ponds	586,162	586,162	0
Construction in progress	629,646	170,576	459,070
Water facilities	1,886,081	2,023,225	(137,144)
Sewer facilities	2,876,645	3,042,618	(165,973)
Drainage facilities	3,904	4,461	(557)
Totals	<u>\$ 6,233,467</u>	<u>\$ 6,078,071</u>	<u>\$ 155,396</u>

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

Additions:		
Water system improvements	\$	238,376
Sewer system improvements		<u>280,176</u>
Total additions to capital assets		518,552
Decreases:		
Depreciation		<u>(363,156)</u>
Net change to capital assets	\$	<u>155,396</u>

Debt

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

Bonded debt payable, beginning of year	\$	4,850,000
Bonds paid		<u>(190,000)</u>
Bonded debt payable, end of year	\$	<u>4,660,000</u>

At June 30, 2020, the District had \$20,095,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The District's bonds have an underlying rating of A- by Standard & Poor's. The Series 2012 bonds are insured by Assured Guaranty Municipal Corp. The Series 2014 and 2015 bonds are insured by Build America Mutual Assurance Company. As a result of the insurance, the bonds are rated AA by Standard & Poor's. There were no changes in the bond ratings during the fiscal year.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$9,320,000 for the 2019 tax year (approximately 5%) primarily due to the increase of the average assessed valuations on existing property.

Relationship to the City of Houston

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

Utilizing a provision of Texas law, the City of Houston ("City") and the District entered into a Strategic Partnership Agreement ("SPA") effective as of May 8, 2012. The SPA provides for the limited purpose annexation of certain developed commercial tracts within the District by the City. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City. Additional properties may become subject to the SPA by amending the SPA upon the consent of the City and the District. The SPA requires the City to impose a one percent (1%) Sales and Use Tax within the annexed tracts. The City pays the District an amount equal to 50 percent of all Sales and Use Tax revenues generated from the properties subject to the SPA. The term of the SPA is 30 years. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

Water Supply Issues

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 538,174	\$ 141,898	\$ 911,998	\$ 1,592,070	\$	\$ 1,592,070
Certificates of deposit, at cost, Note 7	980,952			980,952		980,952
Temporary investments, at cost, Note 7	683,244	229,660	126,540	1,039,444		1,039,444
Receivables:						
Property taxes	38,167	27,822		65,989		65,989
Accrued penalty and interest on property taxes				0	26,776	26,776
Service accounts	152,831			152,831		152,831
Sales and Use Taxes, Note 10	14,922			14,922		14,922
Accrued interest	5,726			5,726		5,726
Other	22,045			22,045		22,045
Prepaid expenditures	23,988			23,988		23,988
Due from other fund			622	622	(622)	0
Maintenance taxes collected not yet transferred from other fund	14,046			14,046	(14,046)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	1,466,837	1,466,837
Depreciable capital assets				0	4,766,630	4,766,630
Total assets	<u>\$2,474,095</u>	<u>\$ 399,380</u>	<u>\$ 1,039,160</u>	<u>\$ 3,912,635</u>	6,245,575	<u>10,158,210</u>
LIABILITIES						
Accounts payable	\$ 283,757	\$ 19	\$ 2,889	\$ 286,665		\$ 286,665
Construction contracts payable	59,660		20,900	80,560		80,560
Accrued interest payable				0	29,627	29,627
Customer deposits	191,415			191,415		191,415
Due to other fund	622			622	(622)	0
Maintenance taxes collected not yet transferred to other fund		14,046		14,046	(14,046)	0
Long-term liabilities, Note 5:						
Due within one year				0	207,488	207,488
Due in more than one year				0	4,498,858	4,498,858
Total liabilities	<u>535,454</u>	<u>14,065</u>	<u>23,789</u>	<u>573,308</u>	4,721,305	<u>5,294,613</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>38,167</u>	<u>27,822</u>	<u>0</u>	<u>65,989</u>	<u>(65,989)</u>	<u>0</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Committed to construction contracts in progress	122,627		116,000	238,627	(238,627)	0
Assigned to:						
Debt service		357,493		357,493	(357,493)	0
Capital projects			899,371	899,371	(899,371)	0
Unassigned	<u>1,777,847</u>			<u>1,777,847</u>	<u>(1,777,847)</u>	<u>0</u>
Total fund balances	<u>1,900,474</u>	<u>357,493</u>	<u>1,015,371</u>	<u>3,273,338</u>	<u>(3,273,338)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$2,474,095</u>	<u>\$ 399,380</u>	<u>\$ 1,039,160</u>	<u>\$ 3,912,635</u>		
Net position:						
Invested in capital assets, net of related debt					1,527,121	1,527,121
Restricted for debt service					382,464	382,464
Restricted for capital projects					1,015,371	1,015,371
Unrestricted					<u>1,938,641</u>	<u>1,938,641</u>
Total net position					<u>\$ 4,863,597</u>	<u>\$ 4,863,597</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

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

FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 605,748	\$ 353,268	\$	\$ 959,016	\$ 19,315	\$ 978,331
Water service	436,159			436,159		436,159
Sewer service	456,007			456,007		456,007
Surface water fees, Note 9	207,856			207,856		207,856
Garbage collection	265,062			265,062		265,062
Penalty and interest	38,930	12,035		50,965	3,952	54,917
Sales and Use Taxes, Note 10	65,892			65,892		65,892
Interest on deposits and investments	31,778	3,405	3,210	38,393		38,393
Other revenues	24,911			24,911		24,911
Total revenues	2,132,343	368,708	3,210	2,504,261	23,267	2,527,528
EXPENDITURES / EXPENSES						
Service operations:						
Purchased services, Note 9	304,960			304,960		304,960
Professional fees	177,131	3,400		180,531		180,531
Contracted services	165,088	26,724		191,812		191,812
Utilities	113,697			113,697		113,697
Surface water pumpage fees, Note 9	225,730			225,730		225,730
Repairs and maintenance	250,357			250,357		250,357
Other operating expenditures	4,178			4,178		4,178
Security services	241,206			241,206		241,206
Garbage disposal	269,688			269,688		269,688
Administrative expenditures	73,447	6,347		79,794		79,794
Depreciation				0	363,156	363,156
Capital outlay / non-capital outlay	294,249		224,303	518,552	(518,552)	0
Debt service:						
Principal retirement		190,000		190,000	(190,000)	0
Interest and fees		185,211		185,211	(2,082)	183,129
Total expenditures / expenses	2,119,731	411,682	224,303	2,755,716	(347,478)	2,408,238
Excess (deficiency) of revenues over expenditures	12,612	(42,974)	(221,093)	(251,455)	370,745	119,290
Net change in fund balances / net position	12,612	(42,974)	(221,093)	(251,455)	370,745	119,290
Beginning of year	1,887,862	400,467	1,236,464	3,524,793	1,219,514	4,744,307
End of year	<u>\$ 1,900,474</u>	<u>\$ 357,493</u>	<u>\$ 1,015,371</u>	<u>\$ 3,273,338</u>	<u>\$ 1,590,259</u>	<u>\$ 4,863,597</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119NOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2020

NOTE 1: REPORTING ENTITY

Harris County Municipal Utility District No. 119 (the "District") was created by an order of the Texas Water Rights Commission (now the TCEQ) effective March 4, 1974, in and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on April 3, 1974, and the first bonds were sold on June 10, 1975. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3 (page 14).

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

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

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

Interfund Activity

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

Receivables

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

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

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$10,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 3,273,338
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		6,233,467
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (4,660,000)	
Deferred charge on refunding (to be amortized as interest expense)	18,459	
Issuance premium, net of discount (to be amortized as interest expense)	<u>(64,805)</u>	(4,706,346)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	26,776	
Uncollected property taxes	<u>65,989</u>	92,765
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(29,627)</u>
Net position, end of year		<u>\$ 4,863,597</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Total net change in fund balances		\$ (251,455)
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay	\$ 518,552	
Depreciation	<u>(363,156)</u>	155,396
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Principal reduction		190,000
<p>The funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>		
Refunding charges	(4,570)	
Issuance premium, net of discount	<u>5,702</u>	1,132
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Accrued penalty and interest on property taxes receivable	3,952	
Uncollected property taxes	<u>19,315</u>	23,267
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:</p>		
Accrued interest		<u>950</u>
Change in net position		<u>\$ 119,290</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 251,029	\$	\$	\$ 251,029
Detention ponds	586,162			586,162
Construction in progress	<u>170,576</u>	<u>501,652</u>	<u>42,582</u>	<u>629,646</u>
Total capital assets not being depreciated	<u>1,007,767</u>	<u>501,652</u>	<u>42,582</u>	<u>1,466,837</u>
Depreciable capital assets:				
Water system	6,722,739	49,836		6,772,575
Water system	6,610,721	9,646		6,620,367
Drainage system	<u>11,145</u>			<u>11,145</u>
Total depreciable capital assets	<u>13,344,605</u>	<u>59,482</u>	<u>0</u>	<u>13,404,087</u>
Less accumulated depreciation for:				
Water system	(4,699,514)	(186,980)		(4,886,494)
Water system	(3,568,103)	(175,619)		(3,743,722)
Drainage system	<u>(6,684)</u>	<u>(557)</u>		<u>(7,241)</u>
Total accumulated depreciation	<u>(8,274,301)</u>	<u>(363,156)</u>	<u>0</u>	<u>(8,637,457)</u>
Total depreciable capital assets, net	<u>5,070,304</u>	<u>(303,674)</u>	<u>0</u>	<u>4,766,630</u>
Total capital assets, net	<u>\$ 6,078,071</u>	<u>\$ 197,978</u>	<u>\$ 42,582</u>	<u>\$ 6,233,467</u>
Changes to capital assets:				
Capital outlay		\$ 518,552	\$	
Assets transferred to depreciable assets		42,582	42,582	
Less depreciation expense for the fiscal year		<u>(363,156)</u>		
Net increases / decreases to capital assets		<u>\$ 197,978</u>	<u>\$ 42,582</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 4,850,000	\$	\$ 190,000	\$ 4,660,000	\$ 205,000
Less deferred amounts:					
For issuance premiums (discounts)	70,507		5,702	64,805	6,273
Refunding charge	<u>(23,029)</u>		<u>(4,570)</u>	<u>(18,459)</u>	<u>(3,785)</u>
Total bonds payable	<u>4,897,478</u>	<u>0</u>	<u>191,132</u>	<u>4,706,346</u>	<u>207,488</u>
Total long-term liabilities	<u>\$ 4,897,478</u>	<u>\$ 0</u>	<u>\$ 191,132</u>	<u>\$ 4,706,346</u>	<u>\$ 207,488</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of June 30, 2020, the debt service requirements on the bonds payable were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 205,000	\$ 177,762	\$ 382,762
2022	210,000	171,986	381,986
2023	225,000	165,686	390,686
2024	245,000	157,236	402,236
2025	255,000	148,036	403,036
2026 - 2030	1,210,000	592,142	1,802,142
2031 - 2035	1,330,000	356,856	1,686,856
2036 - 2038	<u>980,000</u>	<u>80,791</u>	<u>1,060,791</u>
	<u>\$ 4,660,000</u>	<u>\$ 1,850,495</u>	<u>\$ 6,510,495</u>

Bonds voted	\$ 41,100,000
Bonds approved for sale and sold	21,005,000
Bonds voted and not issued	20,095,000
Refunding bonds voted	29,400,000
Refunding bonds sold	6,770,000
Refunding bonds voted and not issued	22,630,000

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

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

	<u>Series 2012</u>	<u>Series 2014</u>	<u>Refunding Series 2015</u>
Amounts outstanding, June 30, 2020	\$1,455,000	\$1,925,000	\$1,280,000
Interest rates	2.25% to 3.75%	4.00% to 5.00%	3.00% to 4.00%
Maturity dates, serially beginning/ending	May 1, 2021/2037	May 1, 2028/2038	May 1, 2021/2027
Interest payment dates	November 1/May 1	November 1/May 1	November 1/May 1
Callable dates	May 1, 2021*	May 1, 2021*	May 1, 2022*

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

Developer Construction Commitments and Liabilities

At June 30, 2020, there were no developer construction commitments or liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6: PROPERTY TAXES

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

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

At an election held May 14, 2011, the voters within the District authorized a maintenance tax not to exceed \$0.95 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 3, 2019, the District levied the following ad valorem taxes for the 2019 tax year on the adjusted taxable valuation of \$211,629,172:

	Rate	Amount
Debt service	\$ 0.1710	\$ 361,886
Maintenance	0.2940	622,190
	\$ 0.4650	\$ 984,076

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

2019 tax year total property tax levy	\$ 984,076
Appraisal district adjustments to prior year taxes	(5,745)
Statement of Activities property tax revenues	\$ 978,331

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

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

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

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$2,573,022 and the bank balance was \$2,581,583. Of the bank balance, \$1,305,176 was covered by federal insurance and \$1,276,407 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Atlanta.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At the balance sheet date the carrying value and market value of the investments in TexPool was \$1,039,444.

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

Debt Service Fund

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

Cash	\$ 141,898
Temporary investments	<u>229,660</u>
Total	<u>\$ 371,558</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$ 911,998
Temporary investments	<u>126,540</u>
Total	<u>\$ 1,038,538</u>

NOTE 8: RISK MANAGEMENT

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

At June 30, 2020, the District had physical damage and boiler and machinery coverage of \$5,950,000, comprehensive general liability coverage with a per occurrence limit of \$2,000,000 and \$4,000,000 general aggregate, pollution liability coverage of \$1,000,000, umbrella liability coverage of \$1,000,000, automobile liability coverage of \$1,000,000, worker's compensation coverage of \$1,000,000, consultant's crime coverage of \$50,000 and a tax assessor-collector bond of \$50,000.

NOTE 9: CONTRACTS WITH CITY OF HOUSTON

Sewage Treatment Contract

On October 18, 1983, the District entered into a forty year sewage treatment contract with the City of Houston (the "City"). Under the terms of the agreement, the City will treat a portion of the District's wastewater and will bill the District on a monthly basis. During the fiscal year ended June 30, 2020, the District incurred costs of \$304,960.

NOTES TO THE FINANCIAL STATEMENTS (Continued)Water Supply Contract

On July 11, 2003, the District entered into a Water Supply and Groundwater Reduction Plan Wholesale Agreement (the "Agreement") with the City of Houston (the "City") in order to meet regulatory compliance requirements of the Harris Galveston Subsidence District (the "Subsidence District"). The Agreement continues until noon on December 31, 2040. Under the terms of the Agreement, the City of Houston is the manager of the Groundwater Reduction Plan (the "GRP") that includes the District as a participant. In order to achieve overall compliance with the Subsidence District regulation for reduction of groundwater use in Regulatory Area 3, treated surface water will be supplied by the City to some of the participants in the GRP area in sufficient quantities to meet the requirements. Under the terms of the Agreement, the District will pay to the City a monthly pumpage charge based on the District's water pumpage. The surface water pumpage fees payable to the City for the fiscal year ended June 30, 2020, were \$225,730. The District billed its customers \$207,856 for surface water fees during the fiscal year to pay for the fees charged by the City.

NOTE 10: STRATEGIC PARTNERSHIP AGREEMENT

On May 8, 2012, the District and the City of Houston (the "City") entered into a 30 year Strategic Partnership Agreement (the "Agreement"). Under the terms of the Agreement, the City annexed a portion of the District (the "Partial District") for the limited purposes of applying the City's Sales and Use Tax within the Partial District. The Agreement states that the District and all taxable property within the District shall not be liable for any present or future debts of the City and current and future taxes levied by the City shall not be levied on taxable property with the District. The City agreed that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement.

The City imposed a Sales and Use Tax within the boundaries of the Partial District at the time of the limited-purpose annexation of the Partial District. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas. The District accrued Sales and Use Tax revenues of \$65,892 from the City for the fiscal year ended June 30, 2020. \$14,922 of this amount was receivable at that date.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 541,192	\$ 541,192	\$ 605,748	\$ 64,556
Water service	430,000	430,000	436,159	6,159
Sewer service	425,000	425,000	456,007	31,007
Surface water fees	232,000	232,000	207,856	(24,144)
Garbage collection	312,000	312,000	265,062	(46,938)
Penalty	65,000	65,000	38,930	(26,070)
Sales and Use Taxes	52,000	52,000	65,892	13,892
Interest on deposits and investments	10,000	10,000	31,778	21,778
Other revenues	30,800	30,800	24,911	(5,889)
TOTAL REVENUES	<u>2,097,992</u>	<u>2,097,992</u>	<u>2,132,343</u>	<u>34,351</u>
EXPENDITURES				
Service operations:				
Purchased services	260,000	260,000	304,960	44,960
Professional fees	273,500	273,500	177,131	(96,369)
Contracted services	102,000	102,000	165,088	63,088
Utilities	120,000	120,000	113,697	(6,303)
Surface water pumpage fees	255,000	255,000	225,730	(29,270)
Repairs and maintenance	331,500	331,500	250,357	(81,143)
Other operating expenditures	38,500	38,500	4,178	(34,322)
Security services	247,204	247,204	241,206	(5,998)
Garbage disposal	314,000	314,000	269,688	(44,312)
Administrative expenditures	96,950	96,950	73,447	(23,503)
Capital outlay	5,000	5,000	294,249	289,249
TOTAL EXPENDITURES	<u>2,043,654</u>	<u>2,043,654</u>	<u>2,119,731</u>	<u>76,077</u>
EXCESS REVENUES (EXPENDITURES)	54,338	54,338	12,612	(41,726)
FUND BALANCE, BEGINNING OF YEAR	<u>1,887,862</u>	<u>1,887,862</u>	<u>1,887,862</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,942,200</u>	<u>\$ 1,942,200</u>	<u>\$ 1,900,474</u>	<u>\$ (41,726)</u>

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

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
JUNE 30, 2020

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

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

SCHEDULE OF SERVICES AND RATES

JUNE 30, 2020

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

- | | | |
|--|---|--|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input checked="" type="checkbox"/> Security |
| <input checked="" type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| <input type="checkbox"/> Other | | |

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$11.25	5,000	N	\$ 0.75	5,001 to 10,000
				0.95	10,001 to 15,000
				1.15	15,001 to 20,000
				1.35	20,001 to 25,000
				1.50	Over 25,000
WASTEWATER:	\$12.50	5,000	N	\$ 0.50	5,001 to 10,000
				0.75	10,001 to 15,000
				1.00	15,001 to 20,000
				1.25	20,001 to 25,000
				1.50	Over 25,000

SURCHARGE: \$1.08 per 1,000 gallons of water used – surface water fees.

District employs winter averaging for wastewater usage: Yes No

Total charges per 10,000 gallons usage: Water: \$15.00 Wastewater: \$15.00 Surcharge: \$10.80

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

SCHEDULE OF SERVICES AND RATES (Continued)

JUNE 30, 2020

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	1	1	1.0	1
< or = 3/4"	1,492	1,465	1.0	1,465
1"	64	49	2.5	123
1-1/2"	10	9	5.0	45
2"	12	11	8.0	88
3"	0	0	15.0	0
4"	5	5	25.0	125
6"	1	1	50.0	50
8"	1	1	80.0	80
10"	0	0	115.0	0
Total Water	<u>1,586</u>	<u>1,542</u>		<u>1,977</u>
Total Wastewater	<u>1,567</u>	<u>1,540</u>	1.0	<u>1,540</u>

*Single family equivalents

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

Gallons pumped into system (unaudited): 227,730
 Gallons billed to customers (unaudited): 205,503'

Water Accountability Ratio
 (Gallons billed/ gallons pumped): 90%

4. Standby Fees (authorized only under Texas Water Code Section 49.231):

Does the District have Debt Service standby fees? Yes No

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

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Purchased sewer services	\$ 304,960	\$ 0	\$ 0	\$ 304,960
Professional fees:				
Auditing	10,950			10,950
Legal	126,306	3,400		129,706
Engineering	39,875			39,875
	<u>177,131</u>	<u>3,400</u>	<u>0</u>	<u>180,531</u>
Contracted services:				
Bookkeeping	22,741			22,741
Operation and billing	142,347			142,347
Tax assessor-collector Central appraisal district		19,584		19,584
		7,140		7,140
	<u>165,088</u>	<u>26,724</u>	<u>0</u>	<u>191,812</u>
Utilities	<u>113,697</u>	<u>0</u>	<u>0</u>	<u>113,697</u>
Surface water pumpage fees	<u>225,730</u>	<u>0</u>	<u>0</u>	<u>225,730</u>
Repairs and maintenance	<u>250,357</u>	<u>0</u>	<u>0</u>	<u>250,357</u>
Other operating expenditures:				
TCEQ assessment	<u>4,178</u>			<u>4,178</u>
Security services	<u>241,206</u>	<u>0</u>	<u>0</u>	<u>241,206</u>
Garbage disposal	<u>269,688</u>	<u>0</u>	<u>0</u>	<u>269,688</u>
Administrative expenditures:				
Director's fees	21,000			21,000
Office supplies and postage	2,629			2,629
Insurance	30,310	250		30,560
Permit fees	7,159			7,159
Other	12,349	6,097		18,446
	<u>73,447</u>	<u>6,347</u>	<u>0</u>	<u>79,794</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

EXPENDITURES (Continued)

FOR THE YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CAPITAL OUTLAY				
Authorized expenditures	\$ 294,249	\$ 0	\$ 224,303	\$ 518,552
DEBT SERVICE				
Principal retirement	<u>0</u>	<u>190,000</u>	<u>0</u>	<u>190,000</u>
Interest and fees:				
Interest		183,461		183,461
Paying agent fees		<u>1,750</u>		<u>1,750</u>
	<u>0</u>	<u>185,211</u>	<u>0</u>	<u>185,211</u>
TOTAL EXPENDITURES	<u>\$ 2,119,731</u>	<u>\$ 411,682</u>	<u>\$ 224,303</u>	<u>\$ 2,755,716</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

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

FOR THE YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	\$ 1,465,662	\$ 368,708	\$ 3,210	\$ 1,837,580
Maintenance tax receipts		605,748		605,748
Transfer of maintenance taxes	598,421			598,421
Increase in customer deposits	1,750			1,750
Receipt of interfund receivable			11,700	11,700
Collections for volunteer fire department	37,907			37,907
Overpayments from taxpayers		<u>9,292</u>		<u>9,292</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	<u>2,103,740</u>	<u>983,748</u>	<u>14,910</u>	<u>3,102,398</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	1,747,839	36,387	213,157	1,997,383
Capital outlay	241,179			241,179
Debt service		375,211		375,211
Other fund			622	622
Payment of interfund payable	11,700			11,700
Transfer of maintenance taxes		598,421		598,421
Disbursements to volunteer fire department	37,469			37,469
Refund of taxpayer overpayments		<u>9,631</u>		<u>9,631</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	<u>2,038,187</u>	<u>1,019,650</u>	<u>213,779</u>	<u>3,271,616</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	65,553	(35,902)	(198,869)	(169,218)
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>2,136,817</u>	<u>407,460</u>	<u>1,237,407</u>	<u>3,781,684</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 2,202,370</u>	<u>\$ 371,558</u>	<u>\$ 1,038,538</u>	<u>\$ 3,612,466</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

JUNE 30, 2020

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Certificates of Deposit				
No. 36001388	0.95%	11/09/20	\$ 246,618	\$ 321
No. 9009002970	1.80%	1/09/21	242,875	2,060
No. 6000017787	1.80%	8/03/20	245,779	1,794
No. 66000920	1.60%	8/07/20	<u>245,680</u>	<u>1,551</u>
			<u>\$ 980,952</u>	<u>\$ 5,726</u>
TexPool				
No. 2568800002	Market	On demand	<u>\$ 683,244</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
TexPool				
No. 2568800001	Market	On demand	<u>\$ 229,660</u>	<u>\$ 0</u>
CAPITAL PROJECTS FUND				
TexPool				
No. 2568800003	Market	On demand	<u>\$ 126,540</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 2,020,396</u>	<u>\$ 5,726</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 25,213	\$ 21,461
Additions and corrections to prior year taxes	<u>(3,488)</u>	<u>(2,257)</u>
Adjusted receivable, beginning of year	21,725	19,204
2019 ADJUSTED TAX ROLL	<u>622,190</u>	<u>361,886</u>
Total to be accounted for	643,915	381,090
Tax collections: Current tax year	(599,681)	(348,794)
Prior tax years	<u>(6,067)</u>	<u>(4,474)</u>
RECEIVABLE, END OF YEAR	<u>\$ 38,167</u>	<u>\$ 27,822</u>
RECEIVABLE, BY TAX YEAR		
2009 and prior	\$ 475	\$ 4,343
2010	134	277
2011	504	462
2012	619	420
2013	581	503
2014	823	650
2015	1,520	828
2016	1,616	1,143
2017	2,749	1,876
2018	6,637	4,228
2019	<u>22,509</u>	<u>13,092</u>
RECEIVABLE, END OF YEAR	<u>\$ 38,167</u>	<u>\$ 27,822</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED JUNE 30, 2020

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land	\$ 48,911,690	\$ 51,127,416	\$ 50,832,543	\$ 47,944,926
Improvements	212,968,762	201,474,232	192,065,960	181,521,662
Personal property	5,973,134	8,232,429	9,415,263	16,795,303
Less exemptions	<u>(56,224,414)</u>	<u>(58,529,772)</u>	<u>(56,591,559)</u>	<u>(57,134,139)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 211,629,172</u>	 <u>\$ 202,304,305</u>	 <u>\$ 195,722,207</u>	 <u>\$ 189,127,752</u>
 TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.17100	\$ 0.17900	\$ 0.18700	\$ 0.19100
Maintenance tax rates*	<u>0.29400</u>	<u>0.28100</u>	<u>0.27400</u>	<u>0.27000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.46500</u>	 <u>\$ 0.46000</u>	 <u>\$ 0.46100</u>	 <u>\$ 0.46100</u>
 TAX ROLLS	 <u>\$ 984,076</u>	 <u>\$ 930,600</u>	 <u>\$ 902,279</u>	 <u>\$ 871,971</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED	 <u>96.4 %</u>	 <u>98.8 %</u>	 <u>99.5 %</u>	 <u>99.7 %</u>

*Maximum tax rate approved by voters on May 14, 2011: \$0.95

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

JUNE 30, 2020

<u>Due During Fiscal Years Ending June 30</u>	Series 2012		
	<u>Principal Due May 1</u>	<u>Interest Due November 1, May 1</u>	<u>Total</u>
2021	\$ 50,000	\$ 49,118	\$ 99,118
2022	50,000	47,992	97,992
2023	55,000	46,492	101,492
2024	60,000	44,842	104,842
2025	65,000	43,042	108,042
2026	65,000	41,092	106,092
2027	70,000	39,142	109,142
2028	75,000	37,042	112,042
2029	80,000	34,568	114,568
2030	85,000	31,928	116,928
2031	95,000	29,122	124,122
2032	100,000	25,988	125,988
2033	105,000	22,688	127,688
2034	115,000	18,750	133,750
2035	120,000	14,438	134,438
2036	130,000	9,936	139,936
2037	135,000	5,062	140,062
TOTALS	<u>\$ 1,455,000</u>	<u>\$ 541,242</u>	<u>\$ 1,996,242</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

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

JUNE 30, 2020

<u>Due During Fiscal Years Ending June 30</u>	<u>Series 2014</u>		
	<u>Principal Due May 1</u>	<u>Interest Due November 1, May 1</u>	<u>Total</u>
2021	\$	\$ 80,594	\$ 80,594
2022		80,594	80,594
2023		80,594	80,594
2024		80,594	80,594
2025		80,594	80,594
2026		80,594	80,594
2027		80,594	80,594
2028	130,000	80,594	210,594
2029	140,000	74,094	214,094
2030	145,000	67,094	212,094
2031	145,000	61,294	206,294
2032	150,000	55,494	205,494
2033	160,000	49,494	209,494
2034	165,000	43,094	208,094
2035	175,000	36,494	211,494
2036	180,000	29,494	209,494
2037	190,000	22,068	212,068
2038	<u>345,000</u>	<u>14,231</u>	<u>359,231</u>
TOTALS	<u>\$ 1,925,000</u>	<u>\$ 1,097,603</u>	<u>\$ 3,022,603</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
JUNE 30, 2020

<u>Due During Fiscal Years Ending June 30</u>	<u>Series 2015</u>		
	<u>Principal Due May 1</u>	<u>Interest Due November 1, May 1</u>	<u>Total</u>
2021	\$ 155,000	\$ 48,050	\$ 203,050
2022	160,000	43,400	203,400
2023	170,000	38,600	208,600
2024	185,000	31,800	216,800
2025	190,000	24,400	214,400
2026	205,000	16,800	221,800
2027	215,000	8,600	223,600
TOTALS	<u>\$ 1,280,000</u>	<u>\$ 211,650</u>	<u>\$ 1,491,650</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

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

JUNE 30, 2020

<u>Due During Fiscal Years Ending June 30</u>	<u>Annual Requirements for All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2021	\$ 205,000	\$ 177,762	\$ 382,762
2022	210,000	171,986	381,986
2023	225,000	165,686	390,686
2024	245,000	157,236	402,236
2025	255,000	148,036	403,036
2026	270,000	138,486	408,486
2027	285,000	128,336	413,336
2028	205,000	117,636	322,636
2029	220,000	108,662	328,662
2030	230,000	99,022	329,022
2031	240,000	90,416	330,416
2032	250,000	81,482	331,482
2033	265,000	72,182	337,182
2034	280,000	61,844	341,844
2035	295,000	50,932	345,932
2036	310,000	39,430	349,430
2037	325,000	27,130	352,130
2038	345,000	14,231	359,231
TOTALS	\$ 4,660,000	\$ 1,850,495	\$ 6,510,495

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED JUNE 30, 2020

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Totals</u>
Bond Series:	2012	2014	2015	
Interest Rate:	2.25% to 3.75%	4.00% to 5.00%	3.00% to 4.00%	
Dates Interest Payable:	November 1/ May 1	November 1/ May 1	November 1/ May 1	
Maturity Dates:	May 1, 2021/2037	May 1, 2028/2038	May 1, 2021/2027	
Bonds Outstanding at Beginning of Current Year	\$ 1,500,000	\$ 1,925,000	\$ 1,425,000	\$ 4,850,000
Less Retirements	<u>(45,000)</u>	<u>0</u>	<u>(145,000)</u>	<u>(190,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 1,455,000</u>	<u>\$ 1,925,000</u>	<u>\$ 1,280,000</u>	<u>\$ 4,660,000</u>
Current Year Interest Paid:	<u>\$ 50,468</u>	<u>\$ 80,593</u>	<u>\$ 52,400</u>	<u>\$ 183,461</u>

Bond Descriptions and Original Amount of Issue

- (1) Harris County Municipal Utility District No. 119 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2012 (\$1,690,000)
- (2) Harris County Municipal Utility District No. 119 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2014 (\$1,925,000)
- (3) Harris County Municipal Utility District No. 119 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2015 (\$1,970,000)

Paying Agent/Registrar

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

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 41,100,000	\$ 0	\$ 29,400,000
Amount Issued:	21,005,000		6,770,000
Remaining to be Issued:	20,095,000		22,630,000

Net Debt Service Fund deposits and investments balances as of June 30, 2020: \$357,493
Average annual debt service payment for remaining term of all debt: 361,694

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED JUNE 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
REVENUES										
Property taxes	\$ 605,748	\$ 559,280	\$ 537,398	\$ 522,228	\$ 566,770	28.4 %	26.2 %	26.0 %	26.8 %	28.6 %
Water service	436,159	442,232	419,843	379,023	398,226	20.5	20.8	20.3	19.5	20.1
Sewer service	456,007	461,564	440,443	400,378	419,849	21.4	21.7	21.3	20.6	21.2
Surface water fees	207,856	200,462	197,144	168,895	170,111	9.7	9.4	9.5	8.7	8.6
Garbage collection	265,062	270,668	295,154	287,869	281,842	12.4	12.7	14.3	14.8	14.2
Penalty	38,930	57,085	60,544	60,431	74,101	1.8	2.7	2.9	3.1	3.7
Sales and Use Taxes	65,892	74,309	64,000	78,990	40,557	3.1	3.5	3.1	4.1	2.0
Tap connection and inspection fees	0	0	9,224	3,168	0	0.0	0.0	0.4	0.2	0.0
Interest on deposits and investments	31,778	34,034	18,300	8,624	5,608	1.5	1.6	0.9	0.4	0.3
Other revenues	24,911	29,819	26,807	35,854	25,744	1.2	1.4	1.3	1.8	1.3
TOTAL REVENUES	2,132,343	2,129,453	2,068,857	1,945,460	1,982,808	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Service operations:										
Purchased sewer services	304,960	295,285	287,383	277,784	271,978	14.4	14.0	13.9	14.3	13.7
Professional fees	177,131	202,549	224,813	210,855	151,660	8.3	9.5	10.9	10.8	7.6
Contracted services	165,088	159,616	157,228	156,288	155,216	7.7	7.5	7.6	8.0	7.8
Utilities	113,697	118,827	113,612	104,439	118,773	5.3	5.6	5.5	5.4	6.0
Surface water pumpage fees	225,730	213,470	198,850	145,470	249,976	10.6	10.0	9.6	7.5	12.6
Repairs and maintenance	250,357	235,789	260,706	288,421	277,665	11.7	11.1	12.6	14.8	14.1
Other operating expenditures	4,178	4,631	4,202	11,967	27,048	0.2	0.2	0.2	0.6	1.4
Security services	241,206	237,132	232,526	230,226	211,149	11.3	11.1	11.2	11.8	10.6
Garbage disposal	269,688	281,631	301,082	291,287	282,748	12.6	13.2	14.6	15.0	14.3
Administrative expenditures	73,447	82,003	74,794	66,379	61,961	3.4	3.9	3.6	3.4	3.1
Capital outlay	294,249	164,685	319,585	22,377	27,216	13.9	7.7	15.4	1.2	1.4
TOTAL EXPENDITURES	2,119,731	1,995,618	2,174,781	1,805,770	1,835,390	99.4	93.8	105.1	92.8	92.6
EXCESS REVENUES (EXPENDITURES)	\$ 12,612	\$ 133,835	\$ (105,924)	\$ 139,690	\$ 147,418	0.6 %	6.2 %	(5.1) %	7.2 %	7.4 %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,542	1,541	1,547	1,543	1,540					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,540	1,527	1,542	1,542	1,539					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND

FOR YEARS ENDED JUNE 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
Property taxes	\$ 353,268	\$ 356,154	\$ 367,631	\$ 372,149	\$ 310,589	95.8 %	95.1 %	92.5 %	94.9 %	95.8 %
Penalty and interest	12,035	12,880	25,399	18,636	13,073	3.3	3.4	6.4	4.8	4.0
Interest on deposits and investments	3,405	5,752	4,207	1,192	596	0.9	1.5	1.1	0.3	0.2
TOTAL REVENUES	368,708	374,786	397,237	391,977	324,258	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	3,400	4,827	7,341	4,961	3,556	0.9	1.3	1.8	1.3	1.1
Contracted services	26,724	27,420	25,322	23,705	25,807	7.2	7.3	6.4	6.0	8.0
Other expenditures	6,347	7,115	7,184	9,415	6,955	1.7	1.9	1.8	2.4	2.1
Debt service:										
Principal retirement	190,000	190,000	175,000	165,000	160,000	51.6	50.7	44.1	42.1	49.3
Refunding contribution	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0
Interest and fees	185,211	190,911	195,211	199,211	203,111	50.3	50.9	49.1	50.8	62.7
TOTAL EXPENDITURES	411,682	420,273	410,058	402,292	399,429	111.7	112.1	103.2	102.6	123.2
EXCESS REVENUES (EXPENDITURES)	\$ (42,974)	\$ (45,487)	\$ (12,821)	\$ (10,315)	\$ (75,171)	(11.7) %	(12.1) %	(3.2) %	(2.6) %	(23.2) %

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSJUNE 30, 2020

Complete District Mailing Address: Harris County Municipal Utility District No. 119
c/o Strawn & Richardson, P.C.
1155 Dairy Ashford Road, Suite 875
Houston, Texas 77079

District Business Telephone No.: 713-864-5466

Submission date of the most recent District Registration Form: October 8, 2020

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

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Freddy L. Holland c/o Strawn & Richardson, P.C. 1155 Dairy Ashford Road, Suite 875 Houston, Texas 77079	Elected 11/8/16- 11/3/20	\$ 4,350	\$ 1,426	President
Eliza Stein c/o Strawn & Richardson, P.C. 1155 Dairy Ashford Road, Suite 875 Houston, Texas 77079	Elected 11/6/18- 11/8/22	4,200	1,442	Vice President
Doris H. Hollins c/o Strawn & Richardson, P.C. 1155 Dairy Ashford Road, Suite 875 Houston, Texas 77079	Elected 11/8/16- 11/3/20	3,900	898	Secretary
Kim Valentine c/o Strawn & Richardson, P.C. 1155 Dairy Ashford Road, Suite 875 Houston, Texas 77079	Elected 11/6/18- 11/8/22	4,500	1,994	Assistant Secretary
L. Daniel Rodriguez c/o Strawn & Richardson, P.C. 1155 Dairy Ashford Road, Suite 875 Houston, Texas 77079	Appointed 11/16/17- 11/3/20	4,050	980	Assistant Secretary

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

JUNE 30, 2020

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Strawn & Richardson, P.C. 1155 Dairy Ashford Road, Suite 875 Houston, Texas 77079	8/01/99	\$ 126,306	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, Texas 77008	12/21/17	3,400	Delinquent Tax Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	8/83	24,793	Bookkeeper
Mary Jarmon 3401 Louisiana, Suite 400 Houston, Texas 77002	4/20/01	0	Investment Officer
Regional Water Corporation P.O. Box 690406 Houston, Texas 77269	8/01/97	346,461	Operator
A&S Engineers, Inc. 10377 Stella Link Road Houston, Texas 77025	10/20/16	84,430	Engineer
Utility Tax Service, LLC 11500 Northwest Freeway, Suite 150 Houston, Texas 77092	5/05/11	24,825	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	7,140	Central Appraisal District
Blitch Associates, Inc. 11111 Katy Freeway, Suite 820 Houston, Texas 77079-2118	12/6/12	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 1992	10,950	Independent Auditor

See accompanying independent auditor's report.

APPENDIX B--Schedule of Accreted Values for Premium Compound Interest Bonds

<u><i>Period Ending</i></u>	<u><i>Compound Interest Bonds May 1, 2028</i></u>
July 13, 2021	\$4,516.85
Nov. 1, 2021	4,537.15
May 1, 2022	4,571.18
Nov. 1, 2022	4,605.46
May 1, 2023	4,640.00
Nov. 1, 2023	4,674.80
May 1, 2024	4,709.87
Nov. 1, 2024	4,745.19
May 1, 2025	4,780.78
Nov. 1, 2025	4,816.64
May 1, 2026	4,852.77
Nov. 1, 2026	4,889.16
May 1, 2027	4,925.83
Nov. 1, 2027	4,962.78
May 1, 2028	5,000.00

APPENDIX C—Specimen Municipal Bond Insurance Policy



**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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