

OFFICIAL STATEMENT DATED JUNE 7, 2021

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399. IN THE OPINION OF SPECIAL TAX COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE "LEGAL MATTERS" AND "TAX MATTERS" HEREIN 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 financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."

NEW ISSUE - Book-Entry Only

Ratings: S&P Global Ratings (AGM Insured) "AA" (stable outlook)
Moody's Investors Service, Inc. (AGM Insured) "A2" (stable outlook)
Moody's Investors Service, Inc. (Underlying) "Baa3" (stable outlook)
See "BOND INSURANCE" and "RATINGS" herein

\$1,995,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
(A Political Subdivision of the State of Texas located within Harris County, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2021A

Dated: July 1, 2021

Due: September 1, as shown on the inside cover

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

The Bonds, including the Term Bonds, maturing on and after September 1, 2029, are subject to redemption prior to maturity at the option of Harris County Municipal Utility District No. 399 (the "District"), as a whole or in part, on September 1, 2026, or any date thereafter, at a price equal to the principal amount of the Bonds or the portions thereof so called for redemption plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC, as defined below, in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

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

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



See Maturity Schedule on the inside cover

The proceeds of the sale of the Bonds will be applied to refund certain outstanding bonds of the District and to pay the costs of issuance of the Bonds. See "PLAN OF FINANCING - Use of Bond Proceeds." The Bonds, when issued, will constitute valid and legally binding obligations of the District, payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District, as further described herein. See "THE BONDS - Source and Security for Payment." Investment in the Bonds is subject to special investment consideration as described herein. See "INVESTMENT CONSIDERATIONS."

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

The Bonds are offered, when, as and if issued by the District, subject among other things to the approval of the Attorney General of Texas and of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., Houston, Texas. Delivery of the Bonds in book-entry form through DTC is expected on or about July 13, 2021.

SAMCO CAPITAL MARKETS

RBC CAPITAL MARKETS

MATURITY SCHEDULE

CUSIP Prefix (a): 41421T

\$1,285,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (b)	CUSIP Suffix (a)
2021	\$25,000	3.000%	0.28%	GG0
2022	10,000	3.000	0.39	GH8
2023	35,000	3.000	0.55	GJ4
2024	35,000	3.000	0.70	GK1
2025	35,000	3.000	0.90	GL9
2026	40,000	3.000	1.08	GM7
****	****			
2038 (c)	350,000	2.125	2.30	GZ8
2039 (c)	370,000	2.125	2.33	HA2
2040 (c)	385,000	2.250	2.42	HB0

\$120,000 Term Bonds, Due September 1, 2029(c)(d), CUSIP Suffix GQ8 (a), Interest Rate 2.00% (Yield 1.50%)(b)

\$220,000 Term Bonds, Due September 1, 2035(c)(d), CUSIP Suffix GW5 (a), Interest Rate 2.00% (Yield 2.15%)(b)

\$370,000 Term Bonds, Due September 1, 2037(c)(d), CUSIP Suffix GY1 (a), Interest Rate 2.00% (Yield 2.25%)(b)

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

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, resolutions, contracts, audited financial statements, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Blvd., Suite 1400, Houston, Texas 77056, upon payment of duplication costs.

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

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

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

SAMCO Capital Markets, Inc. and RBC Capital Markets, LLC (“RBC”) (together referred to herein as the “Underwriters”) have agreed, pursuant to a Bond Purchase Agreement, to purchase the Bonds from the District for \$1,937,766.35 (an amount equal to the principal amount of the Bonds, less an Underwriters’ discount of \$25,417.60, less a net original issue discount on the Bonds of \$31,816.05), plus accrued interest on the Bonds to the date of delivery. The obligation of the Underwriters to purchase the Bonds is subject to the conditions contained in the Bond Purchase Agreement. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriters.

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

Prices and Marketability

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

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

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in

which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

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

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

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

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

Capitalization of AGM

At March 31, 2021:

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

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

Merger of MAC into AGM

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

Incorporation of Certain Documents by Reference

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

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

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

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

Miscellaneous Matters

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

BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments.

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

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

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

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

RATINGS

The Bonds are expected to receive an insured rating of "AA" (stable outlook) from S&P Global Ratings ("S&P") a business unit of Standard & Poor's Financial Services LLC, and "A2" (stable outlook) from Moody's Investors Service, Inc. ("Moody's") based upon the issuance of the Policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by Moody's is "Baa3" (stable outlook).

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

The District is not aware of any ratings assigned the Bonds other than the ratings of S&P and Moody's. See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS."

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement.

THE BONDS

The Issuer Harris County Municipal Utility District No. 399 (the “District”) is a political subdivision of the State of Texas located within Harris County, Texas. See “THE DISTRICT - General.”

The Issue..... Harris County Municipal Utility District No. 399 Unlimited Tax Refunding Bonds, Series 2021A, in the aggregate principal amount of \$1,995,000 are dated July 1, 2021. Interest accrues from July 1, 2021, and is payable on September 1, 2021 (two-month interest payment), and on each March 1 and September 1 thereafter until maturity or prior redemption. An aggregate of \$1,285,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2021 through 2026, inclusive, and 2038 through 2040, inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$710,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2029, 2035 and 2037, in the principal amounts set forth on the inside cover hereof (collectively, the “Term Bonds”). The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds, including the Term Bonds, scheduled to mature on and after September 1, 2029, are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2026, or on any date thereafter at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. In addition to being subject to optional redemption, the Term Bonds are also subject to mandatory sinking fund redemption on September 1 in the year and in the amounts as more completely described in this Official Statement. The Bonds will be issued pursuant to a Bond Order (the “Bond Order”) adopted by the Board of Directors of the District. The Bonds are being issued under the authority of Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended.

Book-Entry-Only System..... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to

Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “BOOK-ENTRY-ONLY SYSTEM”).

Source of Payment.....

Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See “THE BONDS – Source and Security for Payment,” “TAX DATA - Tax Rate Calculations,” and “INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates.” The Bonds are obligations of the District, and are not obligations of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any entity other than the District.

Use of Bond Proceeds.....

Proceeds of the sale of the Bonds will be applied to refund \$1,800,000 in principal amount of the District’s Unlimited Tax Bonds, Series 2014 (the “Series 2014 Bonds”). The Series 2014 Bonds that are being refunded by the Bonds are hereinafter referred to as the “Refunded Bonds.” The proceeds of the sale of the Bonds will also be used to pay the costs of issuance of the Bonds. The Refunded Bonds will be redeemed on their redemption date, at a price equal to the principal amount thereof plus accrued interest from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas (the “Escrow Agent”). The sale of the Bonds and the refunding of the Refunded Bonds will (i) reduce the District’s debt service payments, and (ii) provide present value savings in the District’s debt service.

Payment Record.....

In addition to the Series 2014 Bonds, the District has previously issued Unlimited Tax Bonds, Series 2007 (the “Series 2007 Bonds”), Unlimited Tax Bonds, Series 2010 (the “Series 2010 Bonds”), Unlimited Tax Bonds, Series 2016 (the “Series 2016 Bonds”), Unlimited Tax Bonds, Series 2018 (the “Series 2018 Bonds”), and Unlimited Tax Bonds, Series 2021 (expected to be delivered on June 17, 2021) (the “Series 2021 Bonds”) to finance the acquisition and construction of waterworks, wastewater and drainage facilities to serve the District (the “System”), and Unlimited Tax Refunding Bonds, Series 2017 (the “Series 2017 Refunding Bonds”) to refund portions of the outstanding bonds of the District. Collective reference is made in this Official Statement to all of such previously issued bonds as the “Prior Bonds.” The District has timely paid all principal of and interest on the Prior Bonds when due. Before the issuance of the Bonds, the principal amount of the Prior Bonds that had not been retired by the District is \$14,935,000 (the “Outstanding Bonds”). After the refunding of the Refunded Bonds, the principal amount of the Outstanding Bonds remaining (the “Remaining Outstanding Bonds”) will be \$13,135,000, and the total of the District’s direct bonded indebtedness, including the Bonds, will be \$15,130,000. See “THE BONDS - Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS - Future Debt.”

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. See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions.”
Authorized But Unissued Bonds.....	After issuance of the Bonds (including the Series 2021 Bonds currently in the process of issuance), \$26,925,000 for waterworks, wastewater and drainage facilities, \$1,375,000 for recreational facilities, and \$44,430,000 for refunding purposes will remain authorized but unissued. See “THE BONDS - Authority for Issuance” and - “Issuance of Additional Debt,” “THE SYSTEM” and “INVESTMENT CONSIDERATIONS - Future Debt.”
Municipal Bond Insurance	Assured Guaranty Municipal Corp. (“AGM”). See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS.”
Municipal Bond Rating	S&P Global Ratings (AGM Insured) “AA” (stable outlook). Moody’s Investors Service, Inc. (AGM Insured) “A2” (stable outlook). Moody’s Investors Service, Inc. (Underlying) “Baa3” (stable outlook). See “BOND INSURANCE” and “RATINGS.”
Legal and Tax Opinions.....	Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel. See “THE DISTRICT - Management of the District,” “LEGAL MATTERS” and “TAX MATTERS.”
Verification Agent	Robert Thomas CPA, LLC. See “VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS.”

THE DISTRICT

Description	The District is a political subdivision of the State of Texas, created by Order of the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”) on June 4, 2004. The District contains approximately 240.38 acres of land. The District is located entirely within Harris County, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the “City”). The District is located entirely within the Spring Independent School District. The District is located approximately 15 miles north of the central business district of the City. The District lies approximately 0.75 miles west of U.S. Highway 45. A portion of the District is bounded on the southwest by Kuykendahl Road and a portion of the District is bounded on the southeast by Ella Drive. Access to the District is afforded from U.S. Highway 45 by Richey Road and Airtex Boulevard. See “THE DISTRICT - General” and - “Description,” and “APPENDIX A - LOCATION MAP.”
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Authority.....

The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT - General.”

Development of the District.....

As of April 1, 2021, the District contained 833 single-family homes, including 42 homes under construction. According to the District's Engineer, the development of a total of 880 single-family residential lots (approximately 178.51 total acres) within the District, consisting of the subdivisions platted as Eagle Landing, Sections 1 through 9, and Eagle Landing Townhomes, Section 1 is complete with the provision of water supply and distribution, wastewater collection and treatment and storm drainage facilities (the “System”) and street paving. In addition, a convenience store and gas station have been constructed on approximately 1.7 acres of land located within the District. See “Developers” below.

In addition to the total of 880 single-family residential lots on approximately 178.51 acres located within the District that have been developed to date, approximately 37.37 acres of land located in the District that are available for future development have not been developed. It is anticipated that approximately 16.20 of such approximately 33.37 currently undeveloped acres will be developed as Eagle Landing, Section 10 (approximately 74 total future single-family residential lots), and that the remaining approximately 17.17 acres will be utilized for future commercial development. However, the owners of such land that is currently available for future development, which owners are described below under the caption “Developers,” are under no legal obligation to the District to develop any of such acreage available for future development according to any specific plan, timetable, or at all. Therefore, the District cannot predict when, or whether, any of such currently undeveloped acreage located within the District might be developed. The balance of the land that is located within the District is contained within easements, rights-of-way, or is otherwise not available for future development. See “TAX DATA - Principal 2020 Taxpayers,” “DEVELOPERS,” “FUTURE DEVELOPMENT” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

The District has financed components of the System and certain other facilities that are described in this Official Statement under the captions “DEVELOPMENT OF THE DISTRICT” and “THE SYSTEM” with the proceeds of the sale of the Prior Bonds. The District anticipates financing additional components of the System, and other facilities, with the proceeds of the sale of bonds, if any, to be issued by

the District in the future. See “THE BONDS - Issuance of Additional Debt,” “THE SYSTEM” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Developers

The developer of the 378 fully developed single-family residential lots located within the District that have been developed as Eagle Landing, Sections 1 through 3 was Pulte Homes of Texas, L.P. (“Pulte”). In March 2007, Long Lake, Ltd. (“Long Lake”) purchased 25 vacant fully developed Eagle Landing, Section 2 single-family residential lots from Pulte and 74 vacant fully developed Eagle Landing, Section 3 single-family residential lots from another party, and Pulte conveyed approximately 119.72 undeveloped acres to an affiliate of Long Lake, Woodmere Development Co., Ltd. (“Woodmere” or the “Developer”). Woodmere has developed the 482 single-family residential lots located within the District which have been subdivided as Eagle Landing, Sections 4 through 9 (a total of approximately 99.078 acres). Long Lake has constructed and is constructing homes on such lots under the trade names “Lake Ridge Builders,” “Pride Builders” and “Postwood Homes” (collectively, the “Builders”) as is described below under the caption “Builders.” It is anticipated that approximately 16.20 acres of land located within the District owned by Long Lake that are available for future development will be developed as future sections of Eagle Landing. However, the District cannot represent that any development will be undertaken on such approximately 16.20 acres of currently undeveloped land.

The developer of the 20 single-family residential lots on approximately 2.53 acres know as Eagle Landing Townhomes, Section 1 is Skymark Development Company (“Skymark”). Skymark is currently constructing homes on the Eagle Landing Townhomes, Section 1 lots as described below. Skymark owns approximately 17.17 acres of currently undeveloped land located within the District that are expected to be utilized for future commercial development. However, the District cannot represent that any development will be undertaken on such approximately 17.17 acres of currently undeveloped land.

Builder

Lake Ridge Builders, Pride Builders and Postwood Homes are currently constructing homes in Eagle Landing in the District which range from approximately 1,378 to 3,129 square feet in size of living area and in sales price from approximately \$231,990 to \$299,990. Skymark is currently constructing homes in Eagle Landing Townhomes, Section 1 in the District which range from approximately 1,425 to 2,025 square feet in size of living area and in sales price from approximately \$200,000 to \$240,000. The Builders may change the size(s) and the type(s) of homes which they elect to build, and the sales prices thereof, or may suspend building activity altogether, at their sole discretion.

Infectious Disease Outbreak (COVID-19)

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

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

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

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

INVESTMENT CONSIDERATIONS

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

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2020 Assessed Valuation	\$ 145,152,876 (a)
(As of January 1, 2020)	
See "TAX DATA" and "TAXING PROCEDURES"	
Estimated Valuation at March 1, 2021	\$ 169,132,582 (b)
(As of March 1, 2021)	
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt:	
Remaining Outstanding Bonds	\$ 13,135,000
The Bonds	<u>1,995,000</u>
Total	\$ 15,130,000 (c)
Estimated Overlapping Debt	\$ <u>7,385,242</u>
Total Direct and Estimated Overlapping Debt	\$ 22,515,242
Direct Debt Ratio	
: as a percentage of 2020 Assessed Valuation	10.42 %
: as a percentage of Estimated Valuation as of March 1, 2021	8.95 %
Direct and Overlapping Debt Ratio	
: as a percentage of 2020 Assessed Valuation	15.51 %
: as a percentage of Estimated Valuation as of March 1, 2021	13.31 %
Bond Fund Balance Estimated as of the Date of Delivery of the Bonds	\$ 1,312,838 (d)
General Fund Balance as of April 20, 2021.....	\$ 2,413,326
2020 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax.....	\$ 0.58
Maintenance Tax.....	<u>0.39</u>
Total	\$ 0.97 (e)
Average Percentage of Total Tax Collections (2010-2019) as of March 31, 2021.....	99.81 %
Percentage of Tax Collections of 2020 Levy as of March 31, 2021 (In process of collection).....	97.35 %
Average Annual Debt Service Requirements on the Bonds and the Remaining Outstanding Bonds (2021-2050)	\$ 822,389
Maximum Annual Debt Service Requirements on the Bonds and the Remaining Outstanding Bonds (2048).....	\$ 919,500
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and the Remaining Outstanding Bonds (2021-2050) at 95% Tax Collections	
Based Upon 2020 Assessed Valuation.....	\$ 0.60
Based Upon Estimated Valuation at March 1, 2021	\$ 0.52

Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual
Debt Service Requirements on the Bonds and the Remaining Outstanding Bonds
(2048) at 95% Tax Collections

Based Upon 2020 Assessed Valuation.....	\$	0.67
Based Upon Estimated Valuation at March 1, 2021	\$	0.58

Number of Single Family Homes (including 42 homes under construction) 833

- (a) As of January 1, 2020, and comprises the District's 2020 tax roll. All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of March 1, 2021, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2020, through February 28, 2021. No taxes were levied for 2020 against any values added since January 1, 2020. The ultimate Assessed Valuation of any land and improvements added from January 1, 2020, through December 31, 2020, which will be placed on the District's 2021 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2021. The ultimate Assessed Valuation of any land and improvements added from January 1, 2021, through February 28, 2021, which will be placed on the District's 2022 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2022.
- (c) See "DISTRICT DEBT." Assumes the delivery of the Series 2021 Bonds on June 17, 2021. The District has financed the cost of acquiring or constructing certain components of the System and other items with portions of the proceeds of the sale of the Prior Bonds as is described in this Official Statement under the caption "THE SYSTEM." The District anticipates financing its cost of acquiring or constructing additional components of the System (see "THE SYSTEM"), with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "INVESTMENT CONSIDERATIONS - Future Debt."
- (d) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Bond Fund. Such fund balance reflects the timely payment by the District of the debt service requirements on the Outstanding Bonds that were due on March 1, 2021. The District's remaining debt service payments for 2021, which are due on September 1, 2021, total \$472,817, and consist of principal of and interest on the Remaining Outstanding Bonds and the Bonds.
- (e) The District levied a debt service tax in the amount of \$0.58 per \$100 of Assessed Valuation for 2020, plus a maintenance tax of \$0.39 per \$100 of Assessed Valuation. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2020 tax levies of all units of government which levy taxes against the property located within the District, plus the 2020 tax of the District is \$3.198671 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

\$1,995,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399

UNLIMITED TAX REFUNDING BONDS
SERIES 2021A

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 399 (the “District”) of its Unlimited Tax Refunding Bonds, Series 2021A (the “Bonds”).

There follow in this Official Statement descriptions of the Bonds, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request and payment of the costs of duplication therefor.

THE BONDS

General

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 Order adopted by the Board of Directors authorizing the issuance of the Bonds (the “Bond Order”), a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated July 1, 2021, with interest payable on September 1, 2021 (two-month interest payment), and on each March 1 and September 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. Interest on the Bonds initially accrues from July 1, 2021, and thereafter, from the most recent Interest Payment Date. An aggregate of \$1,285,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2021 through 2026, inclusive, and 2038 through 2040, inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$710,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2029, 2035 and 2037, in the principal amounts set forth on the inside cover hereof (collectively, the “Term Bonds”). The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry system described herein (“Registered Owners”). No physical delivery of the Bonds will be made to the purchasers thereof. See “BOOK-ENTRY-ONLY SYSTEM.” Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

At elections held within the District on September 11, 2004 and November 2, 2004, voters of the District authorized a total of \$44,625,000 in unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District. The Bonds constitute the second issue of unlimited tax refunding bonds authorized by such elections. After the issuance of the Bonds, a total of \$26,925,000 in principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities and \$44,430,000 unlimited tax refunding bonds will remain authorized but unissued. The Bonds are issued by the District pursuant to said election and the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapter 1207, Texas Government Code, as amended; City of Houston Ordinance No. 97 416; and Chapters 49 and 54 of the Texas Water Code, as amended. At an election held within the District on November 2, 2004, voters in the District also authorized a total of \$1,375,000 in unlimited tax bonds for the purpose of acquiring or constructing recreational facilities. No bonds have been issued from said authorization. See “Financing Recreational Facilities” below.

Source and Security for Payment

The Bonds, together with the Remaining Outstanding Bonds (hereinafter defined) and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District (see "TAXING PROCEDURES"). Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." The Bonds are obligations solely of the District and are not obligations of the City of Houston, Harris County, the State of Texas, or any political subdivision or entity other than the District.

Funds

The Bond Order confirms the establishment of the District's Bond Fund (the "Bond Fund"), which was created and established pursuant to the order(s) of the Board of Directors of the District authorizing the issuance of the Outstanding Bonds. Accrued interest on the Bonds will be deposited from the proceeds of the sale of the Bonds into the Bond Fund. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, the Remaining Outstanding Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, the Remaining Outstanding Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Remaining Outstanding Bonds, and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Record Date

The record date for payment of the interest on any regularly scheduled interest payment date is defined as the 15th day of the month (whether or not a business day) preceding such interest payment date.

Redemption Provisions

Mandatory Redemption

The Term Bonds maturing on September 1 in each of the years 2029, 2035 and 2037, shall be redeemed at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

\$120,000 Term Bonds Maturing on September 1, 2029	
<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2027	\$40,000
September 1, 2028	40,000
September 1, 2029 (maturity)	40,000

\$220,000 Term Bonds Maturing on September 1, 2035	
<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2030	\$40,000
September 1, 2031	40,000
September 1, 2032	35,000
September 1, 2033	35,000
September 1, 2034	35,000
September 1, 2035 (maturity)	35,000

\$370,000 Term Bonds Maturing on September 1, 2037

Mandatory Redemption Dates	Principal Amount
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September 1, 2036	\$ 35,000
September 1, 2037 (maturity)	335,000

Notice of the mandatory redemption of Term Bonds will be provided at least thirty (30) calendar days prior to the date fixed for redemption, with the particular portions of the Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM."

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds (including any Term Bonds) maturing on or after September 1, 2029, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2026, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Serial Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM." If less than all of the entire outstanding principal amount of a Term Bond is to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the date fixed for redemption, in the manner specified in the Bond Order.

Effects of Redemption

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

Method of Payment of Principal and Interest

The Board has appointed The Bank of New York Mellon Trust Company, N.A., (the "Paying Agent," "Registrar" or "Paying Agent/Registrar") having its principal corporate trust office and its principal payment office in Dallas, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "BOOK-ENTRY-ONLY SYSTEM."

Payment Record

In addition to the Series 2014 Bonds, the District has previously issued Unlimited Tax Bonds, Series 2007 (the "Series 2007 Bonds"), Unlimited Tax Bonds, Series 2010 (the "Series 2010 Bonds"), Unlimited Tax Bonds, Series 2016 (the "Series 2016 Bonds"), Unlimited Tax Bonds, Series 2018 (the "Series 2018 Bonds"), and Unlimited Tax Bonds, Series 2021 (the "Series 2021 Bonds") (expected to be delivered on June 17, 2021) to finance the acquisition and construction of waterworks, wastewater and drainage facilities to serve the District (the "System"), and Unlimited Tax Refunding Bonds, Series 2017 (the "Series 2017 Refunding Bonds") to refund portions of the outstanding bonds of the District. Collective reference is made in this Official Statement to all of such previously issued bonds as the "Prior Bonds." The District has timely paid all principal of and interest on the Prior Bonds when due. Before the issuance of the Bonds, the principal amount of the Prior Bonds that had not been retired by the District (including the Series 2021

Bonds) is \$14,935,000 (the “Outstanding Bonds”). After the refunding of the Refunded Bonds, the principal amount of the Outstanding Bonds remaining (the “Remaining Outstanding Bonds”) will be \$13,135,000, and the total of the District’s direct bonded indebtedness, including the Bonds, will be \$15,130,000. See “THE BONDS - Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Registration

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

Replacement of Paying Agent/Registrar

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”), necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See “THE DISTRICT - General.” The District’s voters have authorized

the issuance of a total of \$43,250,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. The District currently has \$26,925,000 of unlimited tax bonds authorized but unissued for said improvements and facilities. The District's voters have also authorized a total of \$44,625,000 unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. After the issuance of the Bonds, \$44,430,000 unlimited tax refunding bonds will remain authorized but unissued. The District's voters have also authorized issuance of a total of \$1,375,000 unlimited tax bonds for the purpose of acquiring or constructing recreational facilities and could authorize additional amounts. See "Financing Recreational Facilities" below.

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

The District's Engineer currently estimates that the aforementioned \$26,925,000 authorized bonds which remain unissued will be adequate to finance the construction of all water, wastewater, and drainage facilities to provide service to all of the currently undeveloped portions of the District. The District anticipates financing its cost of acquiring or constructing additional components of the System with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE SYSTEM," "FUTURE DEVELOPMENT" and "INVESTMENT CONSIDERATIONS - Future Debt."

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

Financing Road Facilities

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the TCEQ, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the TCEQ for road powers or calling such an election at this time. Issuance of bonds for roads could dilute the investment security for the Bonds.

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or an amount greater than the estimated cost of the plan, whichever amount is smaller; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per \$100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

At an election held within the District on November 2, 2004, voters of the District authorized a total of \$1,375,000 unlimited tax bonds for the purpose of acquiring or constructing recreational facilities and could authorize additional amounts.

Current law may be changed in a manner to increase the amount of bonds which may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. Issuance of bonds for recreational facilities could dilute the security for the Bonds.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed for full purposes by the City of Houston, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City of Houston hold an election in the District whereby the qualified voters of the District approve the proposed annexation.

If the District is annexed, the City of Houston must assume the District's assets and obligations (including the Bonds and the Remaining Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and, therefore, the District makes no representation that the City of Houston will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

Consolidation

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

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Certain traditional legal remedies may also not be available. See "INVESTMENT CONSIDERATIONS - Registered Owners' Remedies and Bankruptcy."

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the District

payable from revenues or from ad valorem taxes or both, or a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of 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 a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as currently permitted under Texas law.

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 Order will be given only to DTC.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

PLAN OF FINANCING

Use of Bond Proceeds

Proceeds of the sale of the Bonds will be applied to refund \$1,800,000 in principal amount of the District’s Unlimited Tax Bonds, Series 2014 (the “Series 2014 Bonds”). The Series 2014 Bonds that are being refunded by the Bonds are hereinafter referred to as the “Refunded Bonds.” The proceeds of the sale of the Bonds will also be used to pay the costs of issuance of the Bonds. The Refunded Bonds will be redeemed on their redemption date, at a price equal to the principal amount thereof plus accrued interest from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas (the “Escrow Agent”). The sale of the Bonds and the refunding of the Refunded Bonds will (i) reduce the District's debt service payments, and (ii) provide present value savings in the District's debt service.

The Refunded Bonds

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

<u>Maturity Date</u>	<u>Series 2014 Bonds</u>
9/1/2023	\$25,000
9/1/2024	25,000
9/1/2025	25,000
9/1/2026	25,000
9/1/2027	25,000
9/1/2028	25,000
9/1/2029	25,000
9/1/2030	25,000
9/1/2031	25,000
9/1/2032	25,000
9/1/2033	25,000
9/1/2034	25,000
9/1/2035	25,000
9/1/2036	25,000
9/1/2037	325,000
9/1/2038	350,000
9/1/2039	375,000
9/1/2040	400,000
	\$1,800,000
Redemption Date:	9/1/2021

Aggregate Principal Amount of Refunded Bonds..... \$1,800,000

Escrow Agreement

The Refunded Bonds, and the interest due thereon, are to be paid on their scheduled interest payment dates until final payment or their redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as escrow agent (the “Escrow Agent”).

The Bond Order provides that the District and the Escrow Agent will enter into an escrow agreement (the “Escrow Agreement”) to be dated as of the date of sale of the Bonds, but effective on the date of delivery of the Bonds (expected to be July 13, 2021). The Bond Order further provides that from the proceeds of the sale of the Bonds, along with certain other legally available funds of the District, if any, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. See “VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS.” Such funds will be held by the Escrow Agent in a segregated escrow account (the “Escrow Fund”) and a portion of such funds will be used to purchase United States Treasury Obligations (the “Escrowed Securities”), maturing at such times and amounts as will, together with cash on deposit in the Escrow Fund, be sufficient to pay scheduled payments on the Refunded Bonds to and including their redemption dates. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds or the Remaining Outstanding Bonds.

Defeasance of the Refunded Bonds

By the deposit of certain proceeds of the Bonds, the Escrowed Securities, and cash transferred by the District from other sources, if any, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the orders 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 pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in the Escrow Fund.

The Non-Refunded Bonds (Remaining Outstanding Bonds)

In addition to the Series 2014 Bonds, the District has previously issued Unlimited Tax Bonds, Series 2007 (the “Series 2007 Bonds”), Unlimited Tax Bonds, Series 2010 (the “Series 2010 Bonds”), Unlimited Tax Bonds, Series 2016 (the “Series 2016 Bonds”), Unlimited Tax Bonds, Series 2018 (the “Series 2018 Bonds”), and Unlimited Tax Bonds, Series 2021 (expected to be delivered on June 17, 2021) (the “Series 2021 Bonds”) to finance the acquisition and construction of waterworks, wastewater and drainage facilities to serve the District (the “System”), and Unlimited Tax Refunding Bonds, Series 2017 (the “Series 2017 Refunding Bonds”) to refund portions of the outstanding bonds of the District. Collective reference is made in this Official Statement to all of such previously issued bonds as the “Prior Bonds.” The District has timely paid all principal of and interest on the Prior Bonds when due. Before the issuance of the Bonds, the principal amount of the Prior Bonds that had not been retired by the District, including the Series 2021 Bonds, is \$14,935,000 (the “Outstanding Bonds”). After the refunding of the Refunded Bonds, the principal amount of the Outstanding Bonds remaining (the “Remaining Outstanding Bonds”) will be \$13,135,000, and the total of the District’s direct bonded indebtedness, including the Bonds, will be \$15,130,000. See “THE BONDS - Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS - Future Debt.”

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

<u>Year of Maturity</u>	<u>Series 2014 Bonds</u>	<u>Series 2016 Bonds</u>	<u>Series 2017 Refunding Bonds</u>	<u>Series 2018 Bonds</u>	<u>Series 2021 Bonds</u>
2021	\$25,000	\$25,000	\$155,000	\$25,000	
2022	25,000	25,000	165,000	25,000	
2023		25,000	170,000	25,000	
2024		25,000	180,000	50,000	\$10,000
2025		25,000	185,000	50,000	25,000
2026		25,000	195,000	50,000	25,000
2027		25,000	205,000	50,000	25,000
2028		25,000	215,000	50,000	25,000
2029		25,000	225,000	50,000	25,000
2030		25,000	235,000	50,000	25,000
2031		25,000	250,000	50,000	25,000
2032		25,000	255,000	50,000	25,000
2033		25,000	270,000	50,000	50,000
2034		25,000	280,000	50,000	50,000
2035		25,000	300,000	50,000	50,000
2036		25,000	315,000	50,000	50,000
2037		25,000		75,000	50,000
2038		25,000		75,000	50,000
2039		25,000		75,000	50,000
2040		25,000		75,000	50,000
2041		225,000		350,000	50,000
2042		250,000		375,000	50,000
2043		275,000		375,000	50,000
2044		300,000		375,000	50,000
2045		325,000		375,000	50,000
2046				725,000	50,000
2047				750,000	50,000
2048				800,000	50,000
2049					700,000
2050					750,000
	\$50,000	\$1,875,000	\$3,600,000	\$5,150,000	\$2,460,000

Total Principal Amount of Non-Refunded Bonds (Remaining Outstanding Bonds) \$13,135,000

Sources and Uses of Funds

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

SOURCES OF FUNDS:

Principal Amount of Bonds	\$1,995,000.00
Plus: Accrued Interest	1,452.08
Less: Net Original Issue Discount on the Bonds	<u>(31,816.05)</u>
Total Sources of Funds	\$1,964,636.03

USES OF FUNDS:

Deposit with Escrow Agent	\$1,835,140.63
Deposit Accrued Interest to Bond Fund	1,452.08
Expenses:	
Underwriter Discount	25,417.60
Municipal Bond Insurance Premium and Other Issuance Expenses	<u>102,625.72</u>
Total Uses of Funds	\$1,964,636.03

THE DISTRICT

General

The District is a municipal utility district created by an order of the TCEQ, dated June 4, 2004, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate, and maintain fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions after approval by the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, subject to the granting of road powers by the TCEQ and certain limitations, develop and finance roads. See “THE BONDS - Issuance of Additional Debt,” “ - Financing Recreational Facilities” and “ - Financing Road Facilities.”

The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Houston and filed in the real property records of Harris County. The District is also required to obtain certain TCEQ approvals prior to acquiring, constructing and financing road and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes and/or for the purposes of financing recreational facilities. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See “THE SYSTEM.”

Description

The District contains approximately 240.38 acres of land. The District is located entirely within Harris County, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas. The District is located entirely within the Spring Independent School District. The District is located approximately 15 miles north of the central business district of the City of Houston. The District lies approximately 0.75 miles west of U.S. Highway 45. A portion of the District is bounded on the southwest by Kuykendahl Road and a portion of the District is bounded on the southeast by Ella Drive. Access to the District is afforded from U.S. Highway 45 by Richey Road and Airtex Boulevard. See “APPENDIX A - LOCATION MAP.”

Management of the District

The District is governed by the Board, consisting of five (5) directors. The Board has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. Four of the directors reside within the District. One of the directors owns property subject to taxation in the District.

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
Jaquetta “JQ” Baker	President	2022
Jesse J. Vela	Vice President	2024
Ashley Thompson	Secretary/Records Management Officer	2024
Marcus L. Jones	Assistant Secretary	2024
Hadier Shenewa	Assistant Secretary	2022

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

Tax Assessor/Collector - The District has engaged Assessments of the Southwest, Inc., Friendswood, Texas, as the District's Tax Assessor/Collector. According to Assessments of the Southwest, Inc. it presently serves approximately 204 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax rate to appraisal rolls prepared by the Harris County Appraisal District and bills and collects such tax.

Utility System Operator - Municipal Operations & Consulting, Inc. is employed by the District as the general operator of the District's System. According to Municipal Operations & Consulting, Inc., it serves as operator of the systems of approximately 92 districts.

Consulting Engineers - The District has employed the firm of Odyssey Engineering Group (the “Engineer”), Houston, Texas, as Consulting Engineer in connection with the overall planning activities and the design of the System.

Bookkeeper - The District has engaged Municipal Accounts & Consulting, L.P. as the District's Bookkeeper. According to Municipal Accounts & Consulting, L.P., it currently serves approximately 400 districts as bookkeeper.

Auditor - As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audited financial statements are filed with the TCEQ. The financial statements of the District as of May 31, 2020, and for the year ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, Houston, Texas, as stated in their report appearing herein. See “APPENDIX B.”

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

Special Tax Counsel - McCall, Parkhurst & Horton L.L.P., Dallas, Texas has been engaged as Special Tax Counsel to the District. The fees to be paid Special Tax Counsel for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds.

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

DEVELOPMENT OF THE DISTRICT

As of April 1, 2021, the District contained 833 single-family homes, including 42 homes under construction. According to the District's Engineer, the development of a total of 880 single-family residential lots (approximately 178.51 total acres) within the District, consisting of the subdivisions platted as Eagle Landing, Sections 1 through 9, and Eagle Landing Townhomes, Section 1 is complete with the provision of water supply and distribution, wastewater collection and treatment and storm drainage facilities (the “System”) and street paving. In addition, a convenience store and gas station have been constructed on approximately 1.7 acres of land located within the District. See “DEVELOPERS” below.

In addition to the total of 880 single-family residential lots on approximately 178.51 acres located within the District that have been developed to date, approximately 33.37 acres of land located in the District that are available for future development have not been developed. It is anticipated that approximately 16.20 of such approximately 33.37 currently undeveloped acres will be developed as Eagle Landing, Section 10 (approximately 74 total future single-family residential lots), and that the remaining approximately 17.17 acres will be utilized for future commercial development. However, the owners of such land that is currently available for future development, which owners are described below under the caption “DEVELOPERS,” are under no legal obligation to the District to develop any of such acreage available for future development according to any specific plan, timetable, or at all. Therefore, the District cannot predict when, or whether, any of such currently undeveloped acreage located within the District might be developed. The balance of the land that is located within the District is contained within easements, rights-of-way, or is otherwise not available for future development. See “TAX DATA - Principal 2020 Taxpayers,” “DEVELOPERS,” “FUTURE DEVELOPMENT” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

The District has financed components of the System and certain other facilities that are described in this Official Statement herein and under the caption “THE SYSTEM” with the proceeds of the sale of the Prior Bonds. The District anticipates financing additional components of the System, and other facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt,” “THE SYSTEM” and “INVESTMENT CONSIDERATIONS - Future Debt.”

As of April 1, 2021, the status of home construction in the District was as follows:

<u>Subdivision</u>	<u>Lots</u>				<u>Homes</u>				<u>Totals</u>
	<u>Developed</u>	<u>Acres</u>	<u>Under</u>		<u>Under Construction</u>		<u>Completed</u>		
			<u>Development</u>	<u>Acres</u>	<u>Sold</u>	<u>Unsold</u>	<u>Sold</u>	<u>Unsold</u>	
Eagle Landing									
Section 1	135	30.96			0	0	135	0	135
Section 2	127	24.57			0	0	127	0	127
Section 3	116	21.37			0	0	116	0	116
Section 4	77	14.96			0	1	70	1	72
Section 5	66	12.59			0	0	66	0	66
Section 6	97	18.04			0	0	97	0	97
Section 7	65	13.98			0	0	65	0	65
Section 8	89	24.32			0	0	89	0	89
Section 9	88	15.19			20	1	24	1	46
Eagle Landing Townhomes									
Section 1	20	2.53			0	20	0	0	20
Totals	880	178.51	0	0	20	22	789	2	833

DEVELOPERS

The developer of the 378 fully developed single-family residential lots located within the District that have been developed as Eagle Landing, Sections 1 through 3 was Pulte Homes of Texas, L.P. (“Pulte”). In March 2007, Long Lake, Ltd. (“Long Lake”) purchased 25 vacant fully developed Eagle Landing, Section 2 single-family residential lots from Pulte and 74 vacant fully developed Eagle Landing, Section 3 single-family residential lots from another party, and Pulte conveyed approximately 119.72 undeveloped acres to an affiliate of Long Lake, Woodmere Development Co., Ltd. (“Woodmere” or the “Developer”). Woodmere has developed the 482 single-family residential lots located within the District which have been subdivided as Eagle Landing, Sections 4 through 9 (a total of approximately 99.078 acres). Long Lake has constructed and is constructing homes on such lots under the trade names “Lake Ridge Builders,” “Pride Builders” and “Postwood Homes” (collectively, the “Builders”) as is described below under the caption “BUILDERS.” It is anticipated that approximately 16.20 acres of land located within the District owned by Long Lake that are available for future development will be developed f Eagle Landing, Section 10. However, the District cannot represent that any development will be undertaken on such approximately 16.20 acres of currently undeveloped land.

The developer of the 20 single-family residential lots on approximately 2.53 acres know as Eagle Landing Townhomes, Section 1 is Skymark Development Company (“Skymark”). Skymark is currently constructing homes on the Eagle Landing Townhomes, Section 1 lots as described below. Skymark owns approximately 17.17 acres of currently undeveloped land located within the District that are expected to be utilized for future commercial development. However, the District cannot represent that any development will be undertaken on such approximately 17.17 acres of currently undeveloped land.

BUILDERS

Lake Ridge Builders, Pride Builders and Postwood Homes are currently constructing homes in Eagle Landing in the District which range from approximately 1,378 to 3,129 square feet in size of living area and in sales price from approximately \$231,990 to \$299,990. Skymark is currently constructing homes in Eagle Landing Townhomes, Section 1 in the District which range from approximately 1,425 to 2,025 square feet in size of living area and in sales price from approximately \$200,000 to \$240,000. The Builders may change the size(s) and the type(s) of homes which they elect to build, and the sales prices thereof, or may suspend building activity altogether, at their sole discretion.

FUTURE DEVELOPMENT

880 single-family residential lots have been developed on an aggregate of approximately 178.51 acres located within the District to date. An aggregate of approximately 33.37 acres of land located in the District that are available for future development have not been developed. It is anticipated that approximately 16.20 of such approximately 33.37 currently undeveloped acres will be developed as Eagle Landing, Section 10 and that the remaining approximately 17.17 acres will be utilized for future commercial development. See "DEVELOPMENT OF THE DISTRICT." The owners of such land that is currently available for future development are described above under the caption "DEVELOPERS." Since there is no legal commitment on the part of the owners of any of such currently undeveloped acres located within the District that are available for future development to the District to develop such currently undeveloped acres according to any specific plan, timetable, or at all, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed. The balance of the land that is located within the District is contained within easements, rights-of-way, or is otherwise not available for future development. If any undeveloped portion of the District is eventually developed, additions to the District's water, sanitary sewer and drainage systems required to service such undeveloped acreage may be financed by future issues of the District's bonds. The District's Engineer currently estimates that the \$26,925,000 authorized bonds which are currently unissued (see "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt") are adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District and to increase the District's water supply and wastewater treatment facilities as described below under the caption "THE SYSTEM."

THE SYSTEM

Regulation

According to the District's Engineer, the System has been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City of Houston, Harris County, and the Harris County Flood Control District.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. The total number of equivalent single-family connections ("ESFCs") estimated at this time for the District upon the full development of its approximately 240.38 acres is 1,000 with a total estimated population of 3,500 people. The following descriptions are based upon an estimate of 3.5 people/connection supplied by the District's Engineer.

Description

The System presently serves the total of 880 single-family residential lots that have been developed within the District that are described above under the caption "DEVELOPMENT OF THE DISTRICT." The District financed the cost of acquiring or constructing certain components of the System, including underground water distribution, wastewater collection and storm drainage facilities that serve Eagle Landing, Sections 1 through 10 and Eagle Landing Townhomes, Section 1, a storm water quality pond that serves Eagle Landing, the purchase of wastewater treatment capacity, a 16-inch water line along Kuykendahl Road, widening a Harris County Flood Control District ("HCFCD") drainage channel to serve Eagle Landing, excavation of a HCFCD detention pond to serve Eagle Landing,

repairs/upgrades to a shared wastewater treatment plant, and other items with portions of the proceeds of the sale of the Prior Bonds. The District will finance the acquisition or construction of additional components of the System, and other facilities, with portions of the proceeds of the sale, if any, of bonds by the District in the future. See “THE BONDS - Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Water Supply

The District’s source of water is from Harris County Municipal Utility District No. 200 which receives surface water from the Central Harris County Regional Water Authority. Harris County Municipal Utility District No. 200 supplements the surface water with groundwater. The District receives water pursuant to the “Permanent Water Supply Agreement” dated May 20, 2003, as assigned to the District on August 17, 2004 and amended by that certain First Amendment to Permanent Water Supply Agreement dated October 18, 2016. In accordance with the agreement, Harris County Municipal Utility District No. 200 provides the District sufficient capacity to serve 1,150 ESFCs at at least 0.6 gpm (gallons-per minute) per ESFC. Additionally, the agreement specifies that District water rates include operation, maintenance, debt service, capital improvement, and miscellaneous fee components paid to Harris County Municipal Utility District No. 200. Harris County Municipal Utility District No. 200 has three emergency interconnects with Harris County Municipal Utility District No. 215, Ponderosa Utility District and the City of Houston, which are closed under normal conditions. Harris County Municipal Utility District No. 200 is providing water, via open interconnects, to Rankin Road West Municipal Utility District, Harris County Municipal Utility District No. 205, and the District. The District, via Harris County Municipal Utility District No. 200, is currently participating with the Central Harris County Regional Water Authority to meet the groundwater reduction plan requirements of the Harris-Galveston Subsidence District.

Wastewater Treatment

Wastewater treatment for the District is provided by Harris County Municipal Utility District No. 189 from a shared 990,000 gpd (gallons-per-day) wastewater treatment plant, pursuant to the “Waste Disposal Agreement” dated January 12, 2004, as assigned to the District on August 17, 2004, and amended by the “First Supplement to Waste Disposal Agreement” dated August 15, 2006, the “Second Amendment to Waste Disposal Agreement” dated April 1, 2013, the “Third Amendment to Waste Disposal Agreement” dated July 1, 2013 and the “Fourth Amendment to Waste Disposal Agreement” dated November 7, 2016. The District has purchased 194,228 gpd of capacity, which is sufficient to serve 1,109 ESFCs at 175 gpd/ESFC.

100-Year Flood Plain

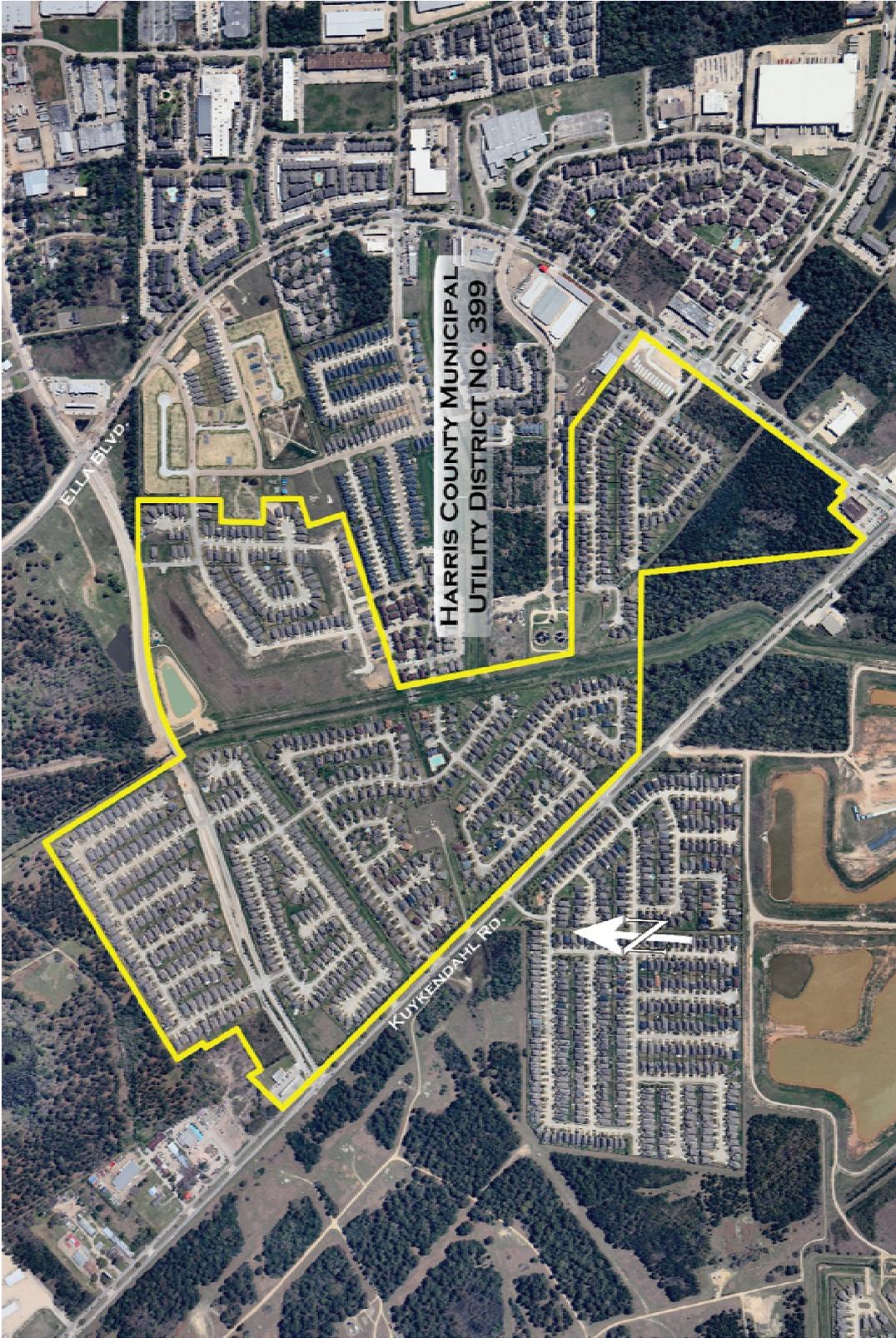
“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100 year flood plain, is depicted on these maps. The “100 year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

In June 2007, the Federal Emergency Management Agency (“FEMA”) released new Flood Insurance Rate Maps (“FIRM”) for Harris County. According to the District’s Engineer, approximately 51 acres of land located within the District are designated as lying within the 100-year flood plain as determined by FEMA. The District is located on FIRM Numbers 48101C0455L and 48201C0460L, effective June 18, 2007.

Of the approximately 51 acres, approximately 14.71 acres are located within the drainage channel or floodplain mitigation basin. The remaining approximately 36.29 acres consist of land that is located within Eagle Landing, Sections 2, 3, 5 and 6. Most of these areas have been removed from the 100-year flood plain designation by several Letters of Map Revision, all of which were reviewed by Harris County and approved by FEMA. The areas that are still located within the 100-year flood plain designation are contained within the area of 4 lots located in Eagle

Landing, Section 2 and 28 lots located in Eagle Landing, Section 3. According to the District's Engineer, no action has been undertaken by the District to remove such 32 lots from the 100-year flood plain designation, and the District cannot represent whether any action will or will not be undertaken in the future to remove such 32 lots from the 100-year flood plain designation.

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken April 2021)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken April 2021)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken April 2021)



DISTRICT DEBT

General

The following tables and calculations relate to the Bonds and the Remaining Outstanding Bonds. After issuance of the Bonds, the aggregate principal amount of the Outstanding Bonds (including the Series 2021 Bonds), less the Refunded Bonds, will be \$13,135,000 (the “Remaining Outstanding Bonds”), and the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be \$15,130,000. The District is empowered to incur debt to be paid from revenues raised by taxation against all taxable property located within the District, and various other political subdivisions of government that overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of the property within the District.

2020 Assessed Valuation	\$	145,152,876 (a)
(As of January 1, 2020)		
See “TAX DATA” and “TAXING PROCEDURES”		
Estimated Valuation at March 1, 2021	\$	169,132,582 (b)
(As of March 1, 2021)		
See “TAX DATA” and “TAXING PROCEDURES”		
Direct Debt:		
Remaining Outstanding Bonds	\$	13,135,000
The Bonds		<u>1,995,000</u>
Total	\$	15,130,000 (c)
Estimated Overlapping Debt	\$	<u>7,385,242</u>
Total Direct and Estimated Overlapping Debt	\$	22,515,242
Direct Debt Ratio		
: as a percentage of 2020 Assessed Valuation		10.42 %
: as a percentage of Estimated Valuation as of March 1, 2021		8.95 %
Direct and Overlapping Debt Ratio		
: as a percentage of 2020 Assessed Valuation		15.51 %
: as a percentage of Estimated Valuation as of March 1, 2021		13.31 %
Bond Fund Balance Estimated as of the Date of Delivery of the Bonds	\$	1,312,838 (d)
General Fund Balance as of April 20, 2021.....	\$	2,413,326
2020 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax.....	\$	0.58
Maintenance Tax.....		<u>0.39</u>
Total	\$	0.97 (e)
Average Percentage of Total Tax Collections (2010-2019) as of March 31, 2021.....		99.81 %
Percentage of Tax Collections of 2020 Levy as of March 31, 2021 (In process of collection).....		97.35 %

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

- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of March 1, 2021, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2020, through February 28, 2021. No taxes were levied for 2020 against any values added since January 1, 2020. The ultimate Assessed Valuation of any land and improvements added from January 1, 2020, through December 31, 2020, which will be placed on the District's 2021 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2021. The ultimate Assessed Valuation of any land and improvements added from January 1, 2021, through February 28, 2021, which will be placed on the District's 2022 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2022.
- (c) Assumes the delivery of the Series 2021 Bonds on June 17, 2021. The District has financed the cost of acquiring or constructing certain components of the System and other items with portions of the proceeds of the sale of the Prior Bonds as is described in this Official Statement under the caption "THE SYSTEM." The District anticipates financing its cost of acquiring or constructing additional components of the System (see "THE SYSTEM"), with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "INVESTMENT CONSIDERATIONS - Future Debt."
- (d) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Bond Fund. Such fund balance reflects the timely payment by the District of the debt service requirements on the Outstanding Bonds that were due on March 1, 2021. The District's remaining debt service payments for 2021, which are due on September 1, 2021, total \$472,817 and consist of principal of and interest on the Remaining Outstanding Bonds and the Bonds.
- (e) The District levied a debt service tax in the amount of \$0.58 per \$100 of Assessed Valuation for 2020, plus a maintenance tax of \$0.39 per \$100 of Assessed Valuation. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2020 tax levies of all units of government which levy taxes against the property located within the District, plus the 2020 tax of the District is \$3.198671 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

Estimated Direct and Overlapping Debt Statement

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

<u>Taxing Jurisdiction</u>	<u>Debt as of March 1, 2021</u>	<u>Estimated Overlapping</u>	
		<u>Percent</u>	<u>Amount</u>
Harris County ⁽ⁱ⁾	\$1,672,657,125	0.0287%	\$480,379
Harris County Department of Education	20,185,000	0.0287%	\$5,797
Harris County Flood Control District	334,270,000	0.0287%	\$96,001
Harris County Hospital District	81,540,000	0.0287%	\$23,418
Port of Houston Authority	492,439,397	0.0287%	\$141,426
Lone Star College System	518,505,000	0.0646%	\$334,773
Spring Independent School District	672,665,000	0.9371%	<u>\$6,303,448</u>
Total Estimated Overlapping Debt			\$7,385,242
Total Direct Debt (the Bonds and the Remaining Outstanding Bonds)			<u>15,130,000</u>
Total Direct and Estimated Overlapping Debt			\$22,515,242

⁽ⁱ⁾ Harris County Toll Road Bonds are considered to be self-supporting and are not included in this schedule.

Debt Ratios

	<u>% of 2020 Assessed Valuation</u>	<u>% of Estimated Valuation as of March 1,2021</u>
Direct Debt.....	10.42%	8.95%
Direct and Estimated Overlapping Debt	15.51%	13.31%

Under Texas law, ad valorem taxes levied by each taxing authority other than the District create a lien that is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administration, and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy, and collect ad valorem taxes for operations and maintenance purposes, and such taxes have been authorized by the duly qualified voters of the District. The District has levied a maintenance tax of \$0.39 per \$100 of Assessed Valuation in 2020. See “TAX DATA - Maintenance Tax.”

Debt Service Requirement Schedule

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

Year Ending December 31	Current Total Debt Service	Less: Debt Service on Refunded Bonds	Plus: The Bonds		Total New Debt Service Requirements
			Principal	Interest	
2021	\$721,394	\$35,141	\$25,000	\$7,260	\$718,514
2022	799,156	70,281	10,000	42,813	781,688
2023	781,594	95,281	35,000	42,513	763,825
2024	817,044	94,531	35,000	41,463	798,975
2025	825,356	93,781	35,000	40,413	806,988
2026	822,975	93,000	40,000	39,363	809,338
2027	820,138	92,188	40,000*	38,163	806,113
2028	817,494	91,344	40,000*	37,363	803,513
2029	814,419	90,469	40,000*	36,563	800,513
2030	810,881	89,594	40,000*	35,763	797,050
2031	811,913	88,688	40,000*	34,963	798,188
2032	802,225	87,750	35,000*	34,163	783,638
2033	827,338	86,813	35,000*	33,463	808,988
2034	821,600	85,875	35,000*	32,763	803,488
2035	825,463	84,938	35,000*	32,063	807,588
2036	823,525	84,000	35,000*	31,363	805,888
2037	815,925	383,000	335,000*	30,663	798,588
2038	822,888	395,000	350,000	23,963	801,850
2039	828,850	406,000	370,000	16,525	809,375
2040	833,813	416,000	385,000	8,663	811,475
2041	887,719				887,719
2042	913,563				913,563
2043	912,375				912,375
2044	910,094				910,094
2045	906,719				906,719
2046	902,250				902,250
2047	898,875				898,875
2048	919,500				919,500
2049	736,250				736,250
2050	768,750				768,750
	\$25,000,086	\$2,963,674	\$1,995,000	\$640,269	\$24,671,678

Average Annual Requirements: (2021-2050) \$822,389
 Maximum Annual Requirement: (2048) \$919,500

* Represents mandatory sinking fund payments on Term Bonds.

TAX DATA

Debt Service Tax

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Remaining Outstanding Bonds and the Bonds (see "TAXING PROCEDURES"). The Board of Directors of the District has in its Bond Order covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see "THE BONDS" and "INVESTMENT CONSIDERATIONS"). The District has levied a debt service tax for 2020 at a rate of \$0.58 per \$100 of Assessed Valuation. See "Tax Rate Distribution" below.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for administrative expenses and maintenance of the District's water, sewer and drainage improvements, and for maintenance of recreational facilities, if such maintenance taxes are authorized by a vote of the District's electorate. On September 11, 2004, the District voters authorized the levy of a maintenance tax for administrative expenses and maintenance of water, sewer and drainage improvements in the maximum amount of \$1.50 per \$100 of Assessed Valuation. On November 2, 2004, the District voters authorized the levy of a maintenance tax for recreational facilities in the maximum amount of \$0.10 per \$100 of Assessed Valuation. Each of said taxes may be levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Remaining Outstanding Bonds and any parity bonds which may be issued in the future. The District levied a maintenance tax of \$0.39 per \$100 of Assessed Valuation in 2020 for administrative expenses and maintenance of water, sewer and drainage improvements.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount)
Maintenance:	\$1.50 per \$100 Assessed Valuation
Recreational Facilities:	\$0.10 per \$100 Assessed Valuation

Historical Values and Tax Collection History

The following statement of tax collections sets forth in condensed from the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate(a)</u>	<u>Adjusted Levy</u>	<u>% Collections</u>	
				<u>Current & Prior Years(b)</u>	<u>Year Ended 9/30</u>
2010	\$45,325,661	\$1.34	\$607,364	100.00%	2011
2011	47,205,751	1.34	632,557	99.99	2012
2012	48,294,796	1.34	647,150	99.99	2013
2013	51,537,367	1.34	690,601	99.99	2014
2014	61,380,805	1.21	742,708	99.99	2015
2015	71,884,364	1.09	783,540	99.98	2016
2016	84,061,157	1.07	899,454	99.91	2017
2017	102,036,859	1.07	1,091,794	99.69	2018
2018	113,110,981	1.03	1,165,043	99.44	2019
2019	127,970,675	0.99	1,266,910	99.15	2020
2020	145,152,876	0.97	1,407,983	97.35(c)	2021

(a) Per \$100 of Assessed Valuation.

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

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

Tax Rate Distribution

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Debt Service	\$0.58	\$0.58	\$0.62	\$0.57	\$0.55
Maintenance	<u>0.39</u>	<u>0.41</u>	<u>0.41</u>	<u>0.50</u>	<u>0.52</u>
Total	\$0.97	\$0.99	\$1.03	\$1.07	\$1.07

Analysis of Tax Base

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

<u>Type of Property</u>	<u>2020</u>		<u>2019</u>		<u>2018</u>	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$24,514,349	16.89%	\$23,325,888	18.23%	\$22,692,011	20.06%
Improvements	122,852,242	84.64%	107,012,969	83.62%	92,545,231	81.82%
Personal Property	2,785,936	1.92%	2,364,055	1.85%	1,498,157	1.32%
Exemptions	<u>(4,999,651)</u>	<u>-3.44%</u>	<u>(4,732,237)</u>	<u>-3.70%</u>	<u>(3,624,418)</u>	<u>-3.20%</u>
TOTAL	\$145,152,876	100.00%	\$127,970,675	100.00%	\$113,110,981	100.00%

<u>Type of Property</u>	<u>2017</u>		<u>2016</u>	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$20,322,327	19.92%	\$19,566,158	23.28%
Improvements	85,217,386	83.52%	68,473,093	81.46%
Personal Property	1,574,830	1.54%	1,483,260	1.76%
Exemptions	<u>(5,077,684)</u>	<u>-4.98%</u>	<u>(5,461,354)</u>	<u>-6.50%</u>
TOTAL	\$102,036,859	100.00%	\$84,061,157	100.00%

Principal 2020 Taxpayers

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

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation</u> <u>2020 Tax Roll</u>	<u>% of 2020</u> <u>Tax Roll</u>
Hannover Estates, Ltd.	Land and Improvements	\$2,763,362	1.90%
Woodmere Development Co., Ltd.*	Land and Improvements	1,980,396	1.36%
Long Lake, Ltd.*	Land and Improvements	888,933	0.61%
Centerpoint Energy Houston Electric**	Personal Property	616,530	0.42%
Transcontinental Gas Pipeline	Personal Property	552,600	0.38%
Centerpoint Energy Entex**	Personal Property	430,550	0.30%
Miguel Castillo	Land and Improvements	363,275	0.25%
Matt Maloku	Land and Improvements	363,006	0.25%
Huan Shu	Land and Improvements	353,217	0.24%
Shannon D Powell	Land and Improvements	<u>339,893</u>	<u>0.23%</u>
		\$8,651,762	5.96%

*Related Parties

**Related Parties

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2020 Assessed Valuation or the Estimated Valuation at March 1, 2021. The calculations assume collection of 95% of taxes levied, no use of funds on hand, and the sale of no bonds by the District other than the Prior Bonds and the Bonds.

Average Annual Debt Service Requirements (2021-2050)	\$822,389
Tax Rate of \$0.60 on the 2020 Assessed Valuation (\$145,152,876) produces.....	\$827,371
Tax Rate of \$0.52 on the Estimated Assessed Valuation at March 1, 2021 (\$169,132,582) produces.....	\$835,515
Maximum Annual Debt Service Requirement (2048)	\$919,500
Tax Rate of \$0.67 on the 2020 Assessed Valuation (\$145,152,876) produces.....	\$923,898
Tax Rate of \$0.58 on the Estimated Assessed Valuation at March 1, 2021 (\$169,132,582) produces.....	\$931,921

The District levied a debt service tax of \$0.58 per \$100 of Assessed Valuation for 2020, plus a maintenance tax of \$0.39 per \$100 of Assessed Valuation. As the above table indicates, a debt service tax rate of \$0.58 per \$100 of Assessed Valuation is sufficient to pay the average annual debt service requirements and the maximum annual debt service requirement on the Bonds and the Remaining Outstanding Bonds given taxable values in the District at the level of the Estimated Valuation at March 1, 2021, assuming a tax collection rate of 95%, no use of other available funds, including earnings from the investment of funds held in the District’s Bond Fund, and the issuance of no additional bonds by the District. In addition, as is stated above, the District had collected an average of 99.81% of its tax levies for the period 2010 through 2019, as of March 31, 2021 and its 2020 levy, which is in the process of collection, was 97.35% collected as of such date. Moreover, the District's Bond Fund balance is estimated to be \$1,312,838 as of the date of delivery of the Bonds. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Bond Fund at any time, the District has in the past applied earnings from the investment of monies held in the Bond Fund to meet the debt service requirements of the Prior Bonds. See “APPENDIX B - ANNUAL FINANCIAL REPORT.” Therefore, the District anticipates being able to pay the maximum and average annual debt service requirements of the Bonds and the Remaining Outstanding Bonds without increasing its debt service levy above the level of the 2020 debt service levy of \$0.58 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See “TAX PROCEDURES,” “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments” and - “Future Debt.”

Estimated Overlapping Taxes

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

<u>Taxing Jurisdiction</u>	<u>2020 Tax Rate Per \$100 of A.V.</u>
The District*	\$0.970000
Harris County	0.391160
Harris County Department of Education	0.004993
Harris County Flood Control District	0.031420
Harris County Hospital District	0.166710
Port of Houston Authority	0.009910
Lone Star College System	0.107800
Spring Independent School District	1.384300
Harris County Emergency Services District No. 11	0.033334
Harris County Emergency Services District No. 17	<u>0.099044</u>
Total Tax Rate	\$3.198671

* The District has levied a total tax of \$0.97 per \$100 of Assessed Valuation for 2020, consisting of a debt service tax of \$0.58 per \$100 of Assessed Valuation and a maintenance tax of \$0.39 per \$100 of Assessed Valuation.

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2021 tax year, the District has granted an exemption of \$10,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance

benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating (i) if the residence homestead was donated by a charitable organization at no cost to the disabled veteran or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for

the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2021 tax year, the District has not granted a general residential homestead exemption.

Valuation of Property for Taxation

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

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

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that 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 herein as “Low Tax Rate Districts.” Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as “Developed Districts.” Districts that do not meet either of the classifications previously discussed can be classified herein as “Developing Districts.” The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below. See “SELECTED FINANCIAL INFORMATION” for a description of the District’s current total tax rate.

Low Tax Rate Districts

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

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as

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

Developing Districts

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

The District

A determination as to a district's status as a Low Tax Rate District, Developed District or Developing District will be made by the District's Board of Directors on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation. For the 2020 tax rate year, a determination has been made by the District's Board of Directors that the District is a Developing District.

District and Taxpayer Remedies

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

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

Agricultural, Open Space, Timberland and Inventory Deferral

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the

property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2020, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

The City of Houston and Harris County may designate all or part of the District as a reinvestment zone, and the District, Harris County, and (if it were to annex the area) the City of Houston may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by 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 a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units (see "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement"). A tax lien on real property takes

priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

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

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations solely of the District and not of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any political subdivision or agency other than the District, are secured by the proceeds an annual ad valorem tax, levied without legal limit as to rate or amount, upon all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends upon the District's ability to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be costly and lengthy processes. See "Tax Collection Limitations" and "Registered Owners' Remedies and Bankruptcy" below and "THE BONDS - Source and Security for Payment" and - "Remedies in Event of Default."

Factors Affecting Taxable Values and Tax Payments

Economic Factors: A substantial proportion of the assessed valuation of the property located within the District is attributable to the current market value of the single-family residences that have been constructed within the District. The market value of such residences is related to general economic conditions affecting the demand for residences. Demand for residences of this type and the construction of commercial buildings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy costs and availability and the prosperity and demographic characteristics of the urban center toward which the marketing of homes and commercial enterprises is directed. Decreased levels of home construction activity, among other factors, would restrict the growth of property values in the District. Further declines in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing (see "Potential Effects of Oil Price Fluctuations on the Houston Area" below). Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although, development in the District has occurred as is described in

this Official Statement under the captions “DEVELOPMENT OF THE DISTRICT,” “DEVELOPERS” and “BUILDERS,” the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date.

National Economy: The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, employment levels and general economic conditions. Although development of the District has occurred as described in this Official Statement under the caption “DEVELOPMENT OF THE DISTRICT,” “DEVELOPERS” and “BUILDERS,” the District cannot predict the pace or magnitude of any future development or construction in the District other than that which has occurred to date. The District cannot predict what impact, if any, a downturn in the local housing markets or in the national housing and financial markets may have on the Houston market generally and the District specifically.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on development, homebuilding and the construction of commercial buildings, particularly short-term interest rates at which developers are able to obtain financing for development costs, at which homebuilders are able to finance the construction of new homes for sale and at which the construction of commercial buildings might be undertaken. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District, the ability of homebuilders to initiate the construction of new homes for sale, or the construction of future commercial buildings. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or construction of future commercial buildings within the District. In addition, since the District is located approximately 15 miles north of the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect development and homebuilding plans in the District and restrain the growth of the District's property tax base.

Developer/Builder/Landowner Obligation to the District: The ability of Skymark, Woodmere, Woodmere's affiliate, Long Lake, currently constructing homes within the District under the trade names “Lake Ridge Builders,” “Pride Builders” and “Postwood Homes” (defined in this Official Statement under the caption “DEVELOPERS” and “BUILDERS”), and any other principal taxpayer (see “TAX DATA - Principal 2020 Taxpayers”) within the District to make full and timely payments of taxes levied against their property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. There is no commitment by or legal requirement of Skymark, Woodmere or any other party to the District to proceed at any particular rate or according to any specific plan with the development of land in the District, or of any home building company, including Lake Ridge Builders, Pride Builders Postwood Homes and Skymark, to proceed at any particular pace with the construction of homes in the District, and there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of home construction activity in the District. See “DEVELOPMENT OF THE DISTRICT” and “FUTURE DEVELOPMENT.”

Maximum Impact on District Tax Rates

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The District's 2020 Assessed Valuation is \$145,152,876. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Remaining Outstanding Bonds will be \$919,500 (2048) and the Average Annual Debt Service Requirements will be \$822,389 (2021 through 2050, inclusive). Assuming no increase to nor decrease from the 2020 Assessed Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.67 and \$0.60 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. The District's Estimated Valuation at March 1, 2021, is \$169,132,582. Assuming no increase to nor

decrease from the Estimated Valuation at March 1, 2021, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.58 and \$0.52 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively.

The District levied a debt service tax of \$0.58 per \$100 of Assessed Valuation for 2020, plus a maintenance tax of \$0.39 per \$100 of Assessed Valuation. As indicated above, a debt service tax rate of \$0.58 per \$100 of Assessed Valuation is sufficient to pay the average annual debt service requirements and the maximum annual debt service requirement on the Bonds and the Remaining Outstanding Bonds given taxable values in the District at the level of the Estimated Valuation at March 1, 2021, assuming a tax collection rate of 95%, no use of other available funds, including earnings from the investment of funds held in the District's Bond Fund, and the issuance of no additional bonds by the District. In addition, as is stated above under the caption "TAX DATA - Historical Values and Tax Collection History," the District had collected an average of 99.81% of its tax levies for the period 2010 through 2019, as of March 31, 2021 and its 2020 levy, which is in the process of collection, was 97.35% collected as of such date. Moreover, the District's Bond Fund balance is estimated to be \$1,312,838 as the date of delivery of the Bonds. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Bond Fund at any time, the District expects to apply earnings from the investment of monies held in the Bond Fund to meet the debt service requirements of the Bonds and the Remaining Outstanding Bonds. See "APPENDIX B - ANNUAL FINANCIAL REPORT." Therefore, the District anticipates being able to pay the maximum and average annual debt service requirements of the Bonds and the Remaining Outstanding Bonds without increasing its debt service levy above the level of the 2020 debt service levy of \$0.58 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "TAXING PROCEDURES." Increases in the District's tax rate to higher levels than the total \$0.97 per \$100 of Assessed Valuation rate which the District levied in 2020 may have an adverse impact upon future development of the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2020 tax levies of all units of government which levy taxes against the property located within the District, plus the 2020 tax of the District, is \$3.198671 per \$100 of Assessed Valuation. Such aggregate levies are higher than the aggregate tax levies of some municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions affecting the marketability of taxable property within the District and limitation of the proceeds from a foreclosure sale of such property, (d) adverse effects on the proceeds of a foreclosure sale resulting from a taxpayer's limited right to redeem its foreclosed property as set forth below, or (e) insufficient foreclosure bids to satisfy the tax liens of all state and local taxing authorities which have parity liens on the 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. Moreover, the value of the property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

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

The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Remedies in Event of Default."

The District may not be placed into bankruptcy involuntarily.

Marketability

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

Future Debt

The District reserved in the Bond Order the right to issue the remaining \$26,925,000 unlimited tax bonds authorized but unissued for waterworks, wastewater and drainage facilities, \$44,430,000 for refunding purposes, and \$1,375,000 for recreational facilities and such additional bonds as may hereafter be approved by the voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds described above for waterworks, wastewater and drainage facilities, which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$26,925,000 in bonds for waterworks, wastewater and drainage facilities and \$1,375,000 in bonds for recreational facilities is also subject to TCEQ authorization.

The District's Engineer currently estimates that the aforementioned \$26,925,000 authorized bonds which remain unissued will be adequate to finance the construction of all water, wastewater, and drainage facilities to provide service to all of the currently undeveloped portions of the District. In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds (see "THE SYSTEM"), the District anticipates financing its cost of acquiring or constructing additional components of the System with the proceeds of additional bonds, if any, to be issued by the District in the future. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds and the Remaining Outstanding Bonds. See "THE BONDS - Issuance of Additional Debt."

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 of the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See “TAX MATTERS.”

Approval of the Bonds

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

Competitive Nature of Houston Housing and Commercial Building Markets

The single-family development and housing and commercial development and building industries in the Houston area are very competitive, and the District can give no assurance that the building programs that are planned by any future home builder(s) will be completed, that additional commercial buildings will be constructed within the District or that any development projects other than those that have been heretofore undertaken in the District will be initiated or completed. The likelihood of the construction of future homes or commercial buildings or the initiation of any new residential or commercial development projects in the District is affected by most of the factors discussed in this section, and such likelihood is directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Extreme Weather Events

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

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. “500 year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. However, according to the District's Operator and Engineer, the District's System did not sustain any material damage and there was no interruption of water and sewer service from Hurricane Harvey. Neither the District's Operator nor Engineer are aware of any homes or commercial improvements within the District that experienced structural flooding or other significant damage as a result of Hurricane Harvey.

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

Specific Flood Type Risks

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

Infectious Disease Outbreak (COVID-19)

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

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to the Pandemic 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 financial markets locally and globally, and is widely expected to continue negatively affecting economic conditions and financial markets worldwide and within Texas and the Houston area. Stock values and oil prices, in the U.S. and globally, have seen

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

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

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

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Changes in Tax Legislation

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

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriters a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds 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. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District.

The District will also furnish the legal opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel to the District, to the effect that interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law and not subject to the alternative minimum tax on individuals.

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel and Special Tax 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 Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., Houston, Texas.

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," "PLAN OF FINANCING - Escrow Agreement," and - "Defeasance of the Refunded Bonds" (but only insofar as such section relates to the legal opinion of Bond Counsel), "THE DISTRICT - General," and - "Management of the District - Bond Counsel and General Counsel," "TAXING PROCEDURES," and "LEGAL MATTERS - Legal Opinions" (insofar as such section relates to the legal opinion of Bond Counsel) solely to determine whether such information fairly summarizes the law and documents referred to therein. In its capacity as Special Tax Counsel, McCall, Parkhurst & Horton L.L.P., has reviewed the information appearing in this Official Statement under the captions "THE DISTRICT - Management of the District - Special Tax Counsel," "LEGAL MATTERS - Legal Opinions" (insofar as such section relates to the legal opinion of Special Tax Counsel) and "TAX MATTERS," solely to determine whether such information fairly summarizes the law referred to therein. Such firms have not independently verified factual information contained in this Official Statement, nor have such firms conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firms' limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

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 Schwartz, Page & Harding L.L.P., 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 Robert Thomas CPA, LLC, Certified Public Accountants, 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 judgement 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 and Premium Bonds

The initial public offering price to be paid for certain maturities of the Bonds is 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 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.

The initial public offering price to be paid for certain maturities of the Bonds is greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM 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.

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 has designated 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.”

NO-LITIGATION CERTIFICATE

The District will furnish to the Underwriters a certificate, dated as of the date of delivery of the Bonds, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or to the knowledge of the District's certifying officers, threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

NO MATERIAL ADVERSE CHANGE

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

VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided on behalf of the District relating to (a) computation of the adequacy of the amounts to be held by the Escrow Agent to pay, when due, the principal or redemption price of and interest on the Refunded Bonds, (b) the computation of the yield on the Bonds, and (c) the mathematical computations related to certain requirements of City of Houston Ordinance No. 97-416 was verified by Robert Thomas CPA, LLC. The computations were independently verified by Robert Thomas CPA, LLC based solely upon assumptions and information supplied on behalf of the District, and the District. Robert Thomas CPA, LLC has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of future events.

Robert Thomas CPA, LLC relied on the accuracy, completeness and reliability of all information provide to it by, and on all decisions and approvals of, the District. In addition, Robert Thomas CPA, LLC has relied on any information provided to it by the District's retained advisors, consultants or legal counsel. Robert Thomas CPA, LLC was not engaged to perform audit or attest services under AICPA auditing or attestation standards or to provide any form of attest report or opinion under such standards in conjunction with this engagement.

OFFICIAL STATEMENT

General

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

The financial statements of the District as of May 31, 2020, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, Houston, Texas, as stated in their report appearing herein. See "APPENDIX B."

Experts

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

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "DISTRICT DEBT" and "TAX DATA" was provided by the Appraisal District and Assessments of the Southwest, Inc., Friendswood, Texas. The District has included certain information herein in reliance upon said firm's authority as an expert in the field of tax assessing and real property appraisal. The District has included certain information herein in reliance upon the Appraisal District's authority as an expert in the field of tax assessing and real property appraisal.

Certification as to Official Statement

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

Updating of Official Statement

If, subsequent to the date of the Official Statement, to and including the date the Underwriters are no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the "SEC"), the District learns, or is notified by the Underwriters, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriters elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriters an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriters; provided, however, that the

obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the “end of the underwriting period” as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the “end of the underwriting period.”

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “SELECTED FINANCIAL INFORMATION,” “TAX DATA,” and in “APPENDIX B.” The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2021. The District will provide the updated information to the MSRB or any successor to its functions as a repository.

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

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of

a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

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

Limitations and Amendments

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

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

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule, except that the District’s financial information and operating data for fiscal year end May 31, 2017, was not timely filed. The District has since made such filing along with a notice of late filing.

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 399 as of the date shown on the first page hereof.

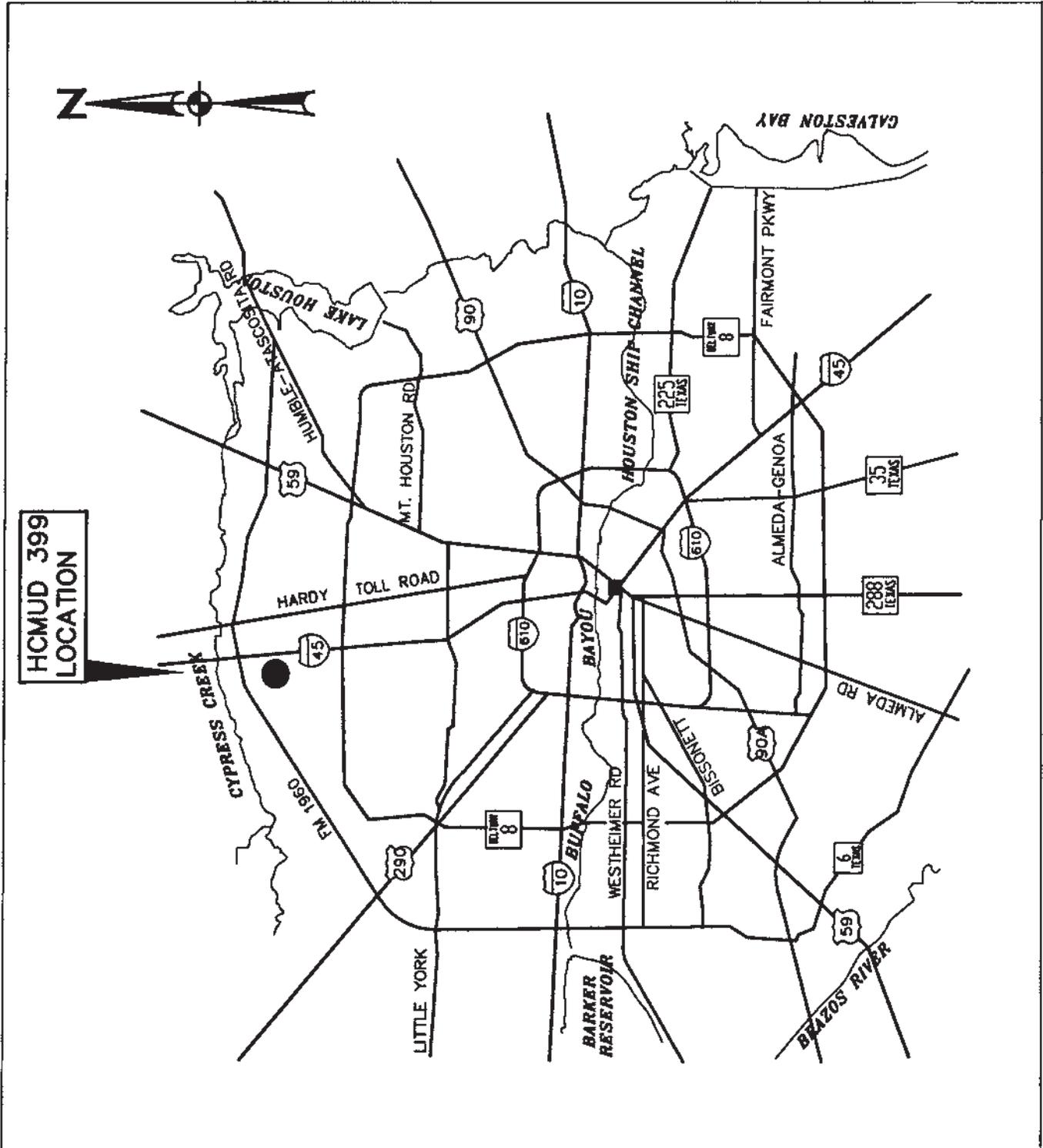
/s/ Jaquetta "JQ" Baker
President, Board of Directors
Harris County Municipal Utility District No. 399

ATTEST:

/s/ Ashley Thompson
Secretary, Board of Directors
Harris County Municipal Utility District No. 399

APPENDIX A

LOCATION MAP



LOCATION MAP

APPENDIX B

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399

ANNUAL FINANCIAL REPORT

MAY 31, 2020

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2020

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 399
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 399 (the "District"), as of and for the year ended May 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

September 15, 2020

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2020**

Management’s discussion and analysis of the financial performance of Harris County Municipal Utility District No. 399 (the “District”) provides an overview of the District’s financial activities for the fiscal year ended May 31, 2020. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2020**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets and deferred outflows of resources by \$5,142,112 as of May 31, 2020.

A portion of the District's net position reflects its net investment in capital assets (water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

The following is a comparative analysis of government-wide changes in net position:

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2020	2019	Change Positive (Negative)
Current and Other Assets	\$ 3,690,598	\$ 3,399,596	\$ 291,002
Capital Assets (Net of Accumulated Depreciation)	5,680,823	5,010,022	670,801
Total Assets	<u>\$ 9,371,421</u>	<u>\$ 8,409,618</u>	<u>\$ 961,803</u>
Deferred Outflows of Resources	\$ 151,663	\$ 161,618	\$ (9,955)
Due to Developer	\$ 1,465,937	\$ 441,617	\$ (1,024,320)
Long -Term Liabilities	12,858,513	13,074,841	216,328
Other Liabilities	340,746	290,561	(50,185)
Total Liabilities	<u>\$ 14,665,196</u>	<u>\$ 13,807,019</u>	<u>\$ (858,177)</u>
Net Position:			
Net Investment in Capital Assets	\$ (8,485,967)	\$ (8,330,428)	\$ (155,539)
Restricted	1,168,318	1,126,640	41,678
Unrestricted	2,175,537	1,968,005	207,532
Total Net Position	<u>\$ (5,142,112)</u>	<u>\$ (5,235,783)</u>	<u>\$ 93,671</u>

The following table provides a summary of the District's operations for the years ended May 31, 2020, and May 31, 2019. The District's net position increased by \$93,671.

	Summary of Changes in the Statement of Activities		
	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,265,335	\$ 1,161,620	\$ 103,715
Charges for Services	875,257	836,283	38,974
Other Revenues	80,343	78,788	1,555
Total Revenues	<u>\$ 2,220,935</u>	<u>\$ 2,076,691</u>	<u>\$ 144,244</u>
Expenses for Services	<u>2,127,264</u>	<u>2,236,269</u>	<u>109,005</u>
Change in Net Position	\$ 93,671	\$ (159,578)	\$ 253,249
Net Position, Beginning of Year	<u>(5,235,783)</u>	<u>(5,076,205)</u>	<u>(159,578)</u>
Net Position, End of Year	<u>\$ (5,142,112)</u>	<u>\$ (5,235,783)</u>	<u>\$ 93,671</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of May 31, 2020, were \$3,402,817, an increase of \$230,484 from the prior year.

The General Fund fund balance increased by \$205,602, primarily due to tax and service revenues exceeding operating and capital costs.

The Debt Service Fund fund balance increased by \$33,275, primarily due to the structure of the District's outstanding debt service.

The Capital Projects Fund fund balance decreased by \$8,393.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$89,668 more than budgeted revenue. Expenditures were more than budgeted costs by \$66,327.

CAPITAL ASSETS

The District's capital assets as of May 31, 2020, amount to \$5,680,823 (net of accumulated depreciation). These capital assets include land, the District's capacity interest in the wastewater treatment plant as well as the water, wastewater and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 22,288	\$ 22,288	\$
Construction in Progress	6,124		6,124
Capital Assets, Net of Accumulated Depreciation:			
Water System	1,540,244	1,490,993	49,251
Wastewater System	2,264,633	2,151,116	113,517
Drainage System	810,214	280,881	529,333
Capacity Interest in Wastewater Treatment Plant	1,037,320	1,064,744	(27,424)
Total Net Capital Assets	\$ 5,680,823	\$ 5,010,022	\$ 670,801

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2020**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of \$12,675,000.

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

Bond Debt Payable, June 1, 2019	\$ 12,880,000
Less: Bond Principal Paid	<u>205,000</u>
Bond Debt Payable, May 31, 2020	<u>\$ 12,675,000</u>

The Series 2014 Bonds and Series 2016 Bonds do not carry underlying or insured ratings. The Series 2017 Refunding Bonds and Series 2018 Bonds carry an underlying rating of “Baa3” from Moody’s and a insured rating of “AA” from Standard and Poor’s by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The above rating reflects all rating changes through fiscal year end.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 399, c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Blvd., Suite 1400, Houston, Texas 77056-3078.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2020

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 113,830	\$ 51,800
Investments	2,068,662	1,219,231
Receivables:		
Property Taxes	17,285	23,909
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$-0-)	132,847	
Accrued Interest	24,116	2,391
Other	425	
Due from Other Funds	8,603	
Prepaid Costs		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 2,365,768	\$ 1,297,331
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,365,768	\$ 1,297,331

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 100	\$ 165,730	\$	\$ 165,730
5,897	3,293,790		3,293,790
	41,194		41,194
		7,157	7,157
	132,847		132,847
	26,507		26,507
	425		425
	8,603	(8,603)	
		22,948	22,948
		22,288	22,288
		6,124	6,124
		<u>5,652,411</u>	<u>5,652,411</u>
<u>\$ 5,997</u>	<u>\$ 3,669,096</u>	<u>\$ 5,702,325</u>	<u>\$ 9,371,421</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 151,663</u>	<u>\$ 151,663</u>
<u>\$ 5,997</u>	<u>\$ 3,669,096</u>	<u>\$ 5,853,988</u>	<u>\$ 9,523,084</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 121,829	\$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds		8,603
Due to Taxpayers		3,303
Security Deposits	91,350	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	<u>\$ 213,179</u>	<u>\$ 11,906</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 17,285</u>	<u>\$ 23,909</u>
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		1,261,516
Assigned to 2021 Budget Deficit	206,687	
Unassigned	<u>1,928,617</u>	<u></u>
TOTAL FUND BALANCES	<u>\$ 2,135,304</u>	<u>\$ 1,261,516</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,365,768</u>	<u>\$ 1,297,331</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 121,829	\$	\$ 121,829
		124,264	124,264
		1,465,937	1,465,937
	8,603	(8,603)	
	3,303		3,303
	91,350		91,350
		200,000	200,000
		<u>12,658,513</u>	<u>12,658,513</u>
<u>\$ -0-</u>	<u>\$ 225,085</u>	<u>\$ 14,440,111</u>	<u>\$ 14,665,196</u>
<u>\$ -0-</u>	<u>\$ 41,194</u>	<u>\$ (41,194)</u>	<u>\$ -0-</u>
\$ 5,997	\$ 5,997	\$ (5,997)	\$
	1,261,516	(1,261,516)	
	206,687	(206,687)	
	<u>1,928,617</u>	<u>(1,928,617)</u>	
<u>\$ 5,997</u>	<u>\$ 3,402,817</u>	<u>\$ (3,402,817)</u>	<u>\$ - 0 -</u>
<u>\$ 5,997</u>	<u>\$ 3,669,096</u>		
		\$ (8,485,967)	\$ (8,485,967)
		1,168,318	1,168,318
		<u>2,175,537</u>	<u>2,175,537</u>
		<u>\$ (5,142,112)</u>	<u>\$ (5,142,112)</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MAY 31, 2020**

Total Fund Balances - Governmental Funds	\$	3,402,817
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Land and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		5,680,823
Prepaid bond insurance costs are amortized over the term of the debt in governmental activities.		22,948
Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter. The District also amortizes prepaid bond insurance over the term of the bonds.		151,663
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District.		48,351
<p>Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:</p>		
Due to Developer	\$ (1,465,937)	
Accrued Interest Payable	(124,264)	
Bonds Payable	<u>(12,858,513)</u>	<u>(14,448,714)</u>
Total Net Position - Governmental Activities	\$	<u>(5,142,112)</u>

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2020

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 520,672	\$ 736,716
Water Service	269,419	
Wastewater Service	316,005	
Regional Water Authority Fees	219,419	
Penalty and Interest	24,759	8,148
Tap Connection and Inspection Fees	35,100	
Investment Revenues	42,460	21,896
Miscellaneous Revenues	15,695	55
	<u>\$ 1,443,529</u>	<u>\$ 766,815</u>
TOTAL REVENUES		
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 163,440	\$ 2,461
Contracted Services	378,245	22,802
Purchased Water Service	141,198	
Purchased Wastewater Service	130,186	
Regional Water Authority Assessment	226,725	
Repairs and Maintenance	78,745	
Depreciation		
Other	113,264	3,411
Conveyance of Assets to Other Governmental Unit		
Capital Outlay	6,124	
Debt Service:		
Bond Principal		205,000
Bond Interest		499,866
	<u>\$ 1,237,927</u>	<u>\$ 733,540</u>
TOTAL EXPENDITURES/EXPENSES		
NET CHANGE IN FUND BALANCES	\$ 205,602	\$ 33,275
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
JUNE 1, 2019	<u>1,929,702</u>	<u>1,228,241</u>
FUND BALANCES/NET POSITION -		
MAY 31, 2020	<u>\$ 2,135,304</u>	<u>\$ 1,261,516</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,257,388	\$ 7,947	\$ 1,265,335
	269,419		269,419
	316,005		316,005
	219,419		219,419
	32,907	2,407	35,314
	35,100		35,100
237	64,593		64,593
	15,750		15,750
\$ 237	\$ 2,210,581	\$ 10,354	\$ 2,220,935
\$ 8,363	\$ 174,264	\$	\$ 174,264
267	401,314		401,314
	141,198		141,198
	130,186		130,186
	226,725		226,725
	78,745		78,745
		159,231	159,231
	116,675		116,675
		200,411	200,411
	6,124	(6,124)	
	205,000	(205,000)	
	499,866	(1,351)	498,515
\$ 8,630	\$ 1,980,097	\$ 147,167	\$ 2,127,264
\$ (8,393)	\$ 230,484	\$ (230,484)	\$
		93,671	93,671
14,390	3,172,333	(8,408,116)	(5,235,783)
\$ 5,997	\$ 3,402,817	\$ (8,544,929)	\$ (5,142,112)

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2020**

Net Change in Fund Balances - Governmental Funds	\$	230,484
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		7,947
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		2,407
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(159,231)
In the Statement of Activities, conveyance of assets to other governmental units is recorded as an expense.		(200,411)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		6,124
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		205,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		<u>1,351</u>
Change in Net Position - Governmental Activities	\$	<u>93,671</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 399 (the “District”) was created effective June 4, 2004, by an Order of the Texas Commission on Environmental Quality, (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The Board of Directors held its first meeting on July 12, 2004 and the first bonds were sold on April 17, 2007.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

The District participates financially in the operation of a wastewater treatment plant. Oversight responsibility for the plant is with Harris County Municipal Utility District No. 189. See Note 9.

Financial Statement Presentation

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

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

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

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

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

Other capital assets of the District are those assets in which the District has acquired capacity interest in but does not own the asset itself. These assets typically include a shared interest in the capacity of a water treatment plant, a regional sewage treatment plant or lift station. These assets are typically amortized over the term of the contract from the date of funding.

Budgeting

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

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll purposes only.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

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

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. As of May 31, 2020, the District assigned \$206,687 of the General Fund fund balance for a projected budget deficit for the year ending May 31, 2021.

Unassigned: all other spendable amounts in the General Fund.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Series 2014	Series 2016	Refunding Series 2017	Series 2018
Amount Outstanding – May 31, 2020	\$1,875,000	\$1,900,000	\$3,750,000	\$5,150,000
Interest Rates	2.25% - 4.00%	2.40% - 4.375%	3.00% - 4.00%	3.75% - 5.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2020/2040	September 1, 2020/2045	September 1, 2020/2036	September 1, 2021/2048
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2021 (1)	September 1, 2023 (2)	September 1, 2024 (3)	September 1, 2023 (4)

- (1) Or on any date thereafter, as a whole or in part, at par plus interest accrued to the date of redemption. Term bonds maturing September 1, 2040 are subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on September 1, 2036, 2037, 2038, 2039, and 2040, respectively.
- (2) Or on any date thereafter, as a whole or in part, at par plus interest accrued to the date of redemption. Term bonds maturing September 1, 2028, 2030, 2033, 2036, 2039, and 2045 are subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on September 1, 2027, 2029, 2031, 2034, 2037, and 2040, respectively.
- (3) Or on any date thereafter, as a whole or in part, at par plus interest accrued to the date of redemption.
- (4) Or on any date thereafter, as a whole or in part, at par plus interest accrued to the date of redemption. Term bonds maturing September 1, 2028, 2032, 2038, and 2047 are subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on September 1, 2025, 2029, 2033, and 2039, respectively.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding long-term liabilities for the year ended May 31, 2020:

	June 1, 2019	Additions	Retirements	May 31, 2020
Bonds Payable	\$ 12,880,000	\$	\$ 205,000	\$ 12,675,000
Unamortized Discounts	(81,206)		(3,317)	(77,889)
Unamortized Premiums	276,047		14,645	261,402
Bonds Payable, Net	<u>\$ 13,074,841</u>	<u>\$ -0-</u>	<u>\$ 216,328</u>	<u>\$ 12,858,513</u>
			Amount Due Within One Year	\$ 200,000
			Amount Due After One Year	<u>12,658,513</u>
			Bonds Payable, Net	<u>\$ 12,858,513</u>

As of May 31, 2020, the District had authorized but unissued bonds in the amount of \$29,385,000 for water, sanitary sewer and drainage bonds, \$44,625,000 for refunding bonds and \$1,375,000 for recreational facility bonds.

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

Fiscal Year	Principal	Interest	Total
2021	\$ 200,000	\$ 494,226	\$ 694,226
2022	230,000	487,806	717,806
2023	240,000	480,432	720,432
2024	245,000	471,869	716,869
2025	280,000	461,475	741,475
2026-2030	1,525,000	2,131,897	3,656,897
2031-2035	1,790,000	1,799,751	3,589,751
2036-2040	2,165,000	1,407,172	3,572,172
2041-2045	3,025,000	898,546	3,923,546
2046-2049	2,975,000	237,235	3,212,235
	<u>\$ 12,675,000</u>	<u>\$ 8,870,409</u>	<u>\$ 21,545,409</u>

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

During the year ended May 31, 2020, the District levied an ad valorem debt service tax at the rate of \$0.58 per \$100 of assessed valuation, which resulted in a tax levy of \$742,230 on the adjusted taxable valuation of \$127,970,675 for the 2019 tax year. The bond order requires the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes, see Note 7 for maintenance tax levy.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 3. LONG-TERM DEBT (Continued)

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

- A. The bond orders state that any profit realized from or interest accruing on such investments shall belong to the fund from which the monies for such investments were taken; provided however, that at the discretion of the Board of Directors, the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund.
- B. For the Series 2014, 2016, 2017 and 2018 bond issues the District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of the issue.
- C. The bond orders state that the District is required to provide to the state information depository continuing disclosure of annual financial information and operating data with respect to the District. The information is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$2,085,730 and the bank balance was \$2,113,203. The District was not exposed to custodial credit risk at year-end.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at May 31, 2020, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 113,830	\$ 1,440,000	\$ 1,553,830
DEBT SERVICE FUND	51,800	480,000	531,800
CAPITAL PROJECTS FUND	100		100
TOTAL DEPOSITS	\$ 165,730	\$ 1,920,000	\$ 2,085,730

Investments

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

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

All investments are recorded at cost, which the District considers to be fair value. The District also invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”). Texas CLASS is a public funds investment pool under Section 2256.0 16 of the Public Funds Investment Act, Texas Government Code, as amended. Texas CLASS is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. Wells Fargo Bank N.A. serves as custodian of the pool. The fair value of the District’s position in the pool is the same as the value of pool shares.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Fund and Investment Type	Fair Value	Maturities of Less Than 1 year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 628,662	\$ 628,662
Certificates of Deposit	1,440,000	1,440,000
<u>DEBT SERVICE FUND</u>		
Texas CLASS	739,231	739,231
Certificates of Deposit	480,000	480,000
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	5,897	5,897
TOTAL INVESTMENTS	\$ 3,293,790	\$ 3,293,790

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages credit risk by investing in certificates of deposit with balances below FDIC coverage. At May 31, 2020, the District's investments in Texas CLASS were rated "AAAm" by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages interest rate risk by investing in certificates of deposits with maturities of less than one year. The District considers the investments in Texas CLASS to have a maturity of less than one year due to the fact the share positions can usually be redeemed at the discretion of the District, unless there has been a significant change on value.

Restrictions

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

All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2020:

	June 1, 2019	Increases	Decreases	May 31, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 22,288	\$	\$	\$ 22,288
Construction in Progress		830,032	823,908	6,124
Total Capital Assets Not Being Depreciated	<u>\$ 22,288</u>	<u>\$ 830,032</u>	<u>\$ 823,908</u>	<u>\$ 28,412</u>
Capital Assets Subject to Depreciation				
Water System	\$ 1,896,150	\$ 91,636	\$	\$ 1,987,786
Wastewater System	2,724,331	174,873		2,899,204
Drainage System	405,332	557,399		962,731
Capacity Interest in Wastewater Treatment Plant	1,335,503			1,335,503
Total Capital Assets Subject to Depreciation	<u>\$ 6,361,316</u>	<u>\$ 823,908</u>	<u>\$ - 0 -</u>	<u>\$ 7,185,224</u>
Accumulated Depreciation				
Water System	\$ 405,157	\$ 42,385	\$	\$ 447,542
Wastewater System	573,215	61,356		634,571
Drainage System	124,451	28,066		152,517
Capacity Interest in Wastewater Treatment Plant	270,759	27,424		298,183
Total Accumulated Depreciation	<u>\$ 1,373,582</u>	<u>\$ 159,231</u>	<u>\$ - 0 -</u>	<u>\$ 1,532,813</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 4,987,734</u>	<u>\$ 664,677</u>	<u>\$ - 0 -</u>	<u>\$ 5,652,411</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 5,010,022</u>	<u>\$ 1,494,709</u>	<u>\$ 823,908</u>	<u>\$ 5,680,823</u>

NOTE 7. MAINTENANCE TAX

On September 11, 2004, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended May 31, 2020, the District levied an ad valorem maintenance tax rate of \$0.41 per \$100 of assessed valuation, which resulted in a tax levy of \$524,680 on the taxable valuation of \$127,970,675 for the 2019 tax year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 8. PERMANENT WATER SUPPLY CONTRACT

On May 20, 2003, Skymark Development Company, Inc. (“Skymark”), on behalf of the District, entered into a permanent water supply agreement with Harris County Municipal Utility District No. 200 (“No. 200”). On August 17, 2004, the District approved the assumption of this agreement. On August 17, 2010, the first amendment to this agreement was approved. On October 18, 2016, the second amendment to this agreement was approved. On December 17, 2013, the District agreed to pay No. 200 \$48,500 for the design and construction of a waterline and interconnect facilities with Ponderosa Forest Utility District (“Ponderosa”). On September 15, 2015, the District agreed to pay No. 200 \$105,518 for the design and construction of an emergency supply interconnect with Ponderosa. On October 18, 2016, the third amendment to the agreement was approved. No. 200 owns and operates water production and supply facilities. The acquisition and construction of the interconnect and distribution facilities was at the expense of the District. No. 200 provides water to the sufficient to serve 1,150 equivalent connections. The District paid \$141,198 for purchased water during the current fiscal year. The rate for purchased water was \$1.99 per 1,000 gallons as of May 31, 2020.

On May 17, 2011, the District sold No. 200 50% of the total transmission capacity in a supplemental water line for \$33,845 in accordance with the supplemental waterline capacity, purchase, sale, maintenance and joint use agreement.

NOTE 9. SEWAGE TREATMENT OPERATIONS AND MAINTENANCE CONTRACTS

On January 12, 2004, Skymark, on behalf of the District, entered into a waste disposal agreement with Harris County Municipal Utility District No. 189 (“No. 189”). On August 17, 2004, the District assumed the terms of this agreement. No. 189 has constructed a 1,612,500 gallon per day (“gpd”) wastewater treatment facility of which the current rated capacity is 990,000 gpd. The District has acquired and constructed at its sole cost and expense a sanitary sewer collection system as necessary to convey waste from the District to the points of entry into No. 189’s system. On June 30, 2005, the agreement was amended to outline the terms of the District’s purchase of capacity. A supplement to this agreement was entered into on August 15, 2006 to memorialize the District’s previous purchases of 110,692 gpd of capacity in the Plant. Effective April 1, 2013, the Second Amendment to the agreement was approved whereby the District agreed to purchase an additional 2,400 gpd of capacity in the Plant for \$16,560. On July 1, 2013, the Third Amendment to the agreement was approved whereby the District agreed to purchase an additional 29,586 gpd of capacity in the plant for \$204,143. On November 7, 2016, the Fourth Amendment was approved whereby the District agreed to purchase an additional 51,550 gpd of capacity in the plant for \$424,722. As of May 31, 2020, the District has purchased 194,228 gpd of capacity in the Plant in accordance with the terms of these agreements.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 9. SEWAGE TREATMENT OPERATIONS AND MAINTENANCE CONTRACTS (Continued)

The participating districts and their respective pro rata share of capacity in the regional sewage treatment plant at May 31, 2020 are as follows:

Participants	Percentage
District No. 189	55.15%
District No. 205	25.23
The District	<u>19.62</u>
TOTAL	<u>100.00%</u>

As of May 31, 2020, the District has not funded a reserve for operation and maintenance of the regional sewage treatment plant. The District recorded a total of \$130,186 for its share of operating costs of the plant.

The following summary financial data on the regional sewage treatment plant is presented for the fiscal year ended June 30, 2019. A copy of the financial statements for the plant can be obtained by contacting Fulbright & Jaworski, L.L.P. at 1301 McKinney Avenue, Suite 5100, Houston, Texas 77010-3095.

Total Assets	\$ 219,106
Total Liabilities	<u>92,323</u>
Total Fund Balance	<u>\$ 126,783</u>
Total Revenues	\$ 572,694
Total Expenditures	<u>572,694</u>
Net Change in Fund Balance	\$ -0-
Fund Balance, Beginning of Year	<u>126,783</u>
Fund Balance, End of Year	<u>\$ 126,783</u>

NOTE 10. CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

On December 13, 2002, Fallbrook Utility District, Harris County Municipal Utility District No. 33 (“District No. 33”), Harris County Municipal Utility District No. 150, Harris County Municipal Utility District No. 200, Harris County Municipal Utility District No. 205, Harris County Municipal Utility District No. 215, Harris County Municipal Utility District No. 304, Harris County Utility District No. 16, and Rankin Road West Municipal Utility District entered into a water consortium agreement and formed the Central Harris County Water Users Consortium (the “Consortium”). In October 2004, the agreement was amended to include the District.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 10. CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY
(Continued)

Effective June 17, 2005, the Central Harris County Regional Water Authority (the “Authority”) was created to assume the duties of the Consortium. The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 3181, as passed by the 79th Texas Legislature. The Authority encompasses essentially the same entities as the Consortium. The Consortium assigned its agreements and transferred its assets to the Authority. The purpose of the Authority is to assure that its participants comply with the Harris-Galveston Subsidence District (“HGSD”) pumpage requirements, which mandate that districts within HGSD boundaries, including the District, convert a percentage of their water use to surface water over a period of time.

The Authority currently charges a fee, based on the amount of groundwater pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The fee currently being charged is \$3.01 per 1,000 gallons of groundwater pumped from each well and is subject to change at any time by the Authority. Additionally, the Authority charges a fee of \$3.35 per 1,000 gallons of water for surface water received from the Authority. The District purchases water from No. 200, see Note 8. The District is billed \$5.19 per 1,000 gallons of water supplied by No. 200, which rate includes the District’s pro rata share of the Authority’s fees for groundwater and surface water which is \$3.20 per 1,000 gallons, as well as No. 200’s costs for production and distribution. The District recorded an expenditure of \$226,725 for fees assessed during the current fiscal year.

NOTE 11. UNREIMBURSED COSTS

The District has entered into development financing agreements with developers within the District. These developers have made expenditures on behalf of the District for various projects for which the District has not sold bonds. As of the balance sheet date, the District has recorded \$1,465,937 for completed projects paid for by developers related to construction and engineering of utilities within the District.

Due to Developers, beginning of the year	\$ 441,617
Additions	<u>1,024,320</u>
Due to Developers, end of year	<u>\$ 1,465,937</u>

NOTE 12. RECREATION MAINTENANCE TAX

On November 2, 2004, the voters approved the levy and collection of a maintenance tax in an amount not to exceed \$0.10 per \$100 of assessed valuation of taxable property within the District for maintenance and operations of recreational facilities. As of May 31, 2020, a recreation maintenance tax has not been levied.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool ("TML") to provide general liability, auto liability, and errors and omission liability. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 14. INTERFUND PAYABLES, RECEIVABLES AND TRANSFERS

As of May 31, 2020, the Debt Service Fund has recorded a payable of \$8,603 to the General Fund for maintenance tax collections.

NOTE 15. UNCERTAINTIES

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

NOTE 16. PENDING BOND APPLICATION

The District has submitted an application to the Commission asking for approval to issue \$2,460,000 of bonds for the purposes of developer reimbursements, as well as funding a District project. As of the date of this report, the application has not yet been approved.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2020

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 468,201	\$ 520,672	\$ 52,471
Water Service	259,000	269,419	10,419
Wastewater Service	294,000	316,005	22,005
Regional Water Authority Fee	202,000	219,419	17,419
Penalty and Interest	27,000	24,759	(2,241)
Tap Connection and Inspection Fees	46,500	35,100	(11,400)
Investment Revenues	40,160	42,460	2,300
Miscellaneous Revenues	<u>17,000</u>	<u>15,695</u>	<u>(1,305)</u>
TOTAL REVENUES	\$ 1,353,861	\$ 1,443,529	\$ 89,668
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 108,000	\$ 163,440	\$ (55,440)
Contracted Services	383,300	378,245	5,055
Purchased Water Service	120,000	141,198	(21,198)
Purchased Wastewater Service	97,000	130,186	(33,186)
Regional Water Authority Assessment	202,000	226,725	(24,725)
Repairs and Maintenance	95,500	78,745	16,755
Other	115,800	113,264	2,536
Capital Outlay	<u>50,000</u>	<u>6,124</u>	<u>43,876</u>
TOTAL EXPENDITURES	\$ 1,171,600	\$ 1,237,927	\$ (66,327)
NET CHANGE IN FUND BALANCE	\$ 182,261	\$ 205,602	\$ 23,341
FUND BALANCE - JUNE 1, 2019	<u>1,929,702</u>	<u>1,929,702</u>	<u> </u>
FUND BALANCE - MAY 31, 2020	<u>\$ 2,111,963</u>	<u>\$ 2,135,304</u>	<u>\$ 23,341</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

MAY 31, 2020

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2020

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective November 1, 2019.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 24.20	5,000	N	\$ 3.24 \$ 4.24	5,001 to 15,000 15,001 and up
WASTEWATER:	\$ 35.67		Y		
SURCHARGE:					
Solid Waste/ Garbage Commission Regulatory Assessments Regional Water Authority Fees Other			N	\$ 3.52	per each 1,000

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

Total monthly charges per 10,000 gallons usage: Water: \$40.40 Wastewater: \$35.67 Surcharge: \$35.20 Total: \$111.27

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2020

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	770	761	x 1.0	761
1"	2	2	x 2.5	5
1½"	1	1	x 5.0	5
2"	6	6	x 8.0	48
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>779</u>	<u>770</u>		<u>819</u>
Total Wastewater Connections	<u>768</u>	<u>761</u>	x 1.0	<u>716</u>

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

Water Accountability Ratio: 100.0%
(Gallons billed and sold/Gallons pumped and purchased)

Gallons billed to customers: 65,671,000

Gallons purchased: 65,671,000

Harris County Municipal Utility District
No. 200

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2020

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2020

PROFESSIONAL FEES:	
Auditing	\$ 17,000
Engineering	44,998
Legal	<u>101,442</u>
TOTAL PROFESSIONAL FEES	<u>\$ 163,440</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 141,198
Purchased Wastewater Service	<u>130,186</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 271,384</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 25,558
Operations and Billing	46,105
Security	170,754
Solid Waste Disposal	<u>135,828</u>
TOTAL CONTRACTED SERVICES	<u>\$ 378,245</u>
REPAIRS AND MAINTENANCE	<u>\$ 78,745</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 11,250
Election Costs	19,604
Insurance	2,071
Office Supplies and Postage	20,414
Payroll Taxes	861
Travel and Meetings	15,501
Regional Water Authority Assessment	226,725
Other	<u>7,346</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 303,772</u>
CAPITAL OUTLAY	<u>\$ 6,124</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2020

TAP CONNECTIONS	\$ <u>15,750</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 8,887
Permit Fees	1,419
Reconnection Fees	1,830
Inspection Fees	6,020
Regulatory Assessment	<u>2,311</u>
TOTAL OTHER EXPENDITURES	\$ <u>20,467</u>
TOTAL EXPENDITURES	\$ <u>1,237,927</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
INVESTMENTS
MAY 31, 2020

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 628,662	\$
Certificate of Deposit	XXXX4305	1.80%	11/14/20	240,000	2,355
Certificate of Deposit	XXXX0577	2.10%	09/03/20	240,000	3,728
Certificate of Deposit	XXXX0889	2.00%	10/15/20	240,000	3,012
Certificate of Deposit	XXXX8949	2.75%	08/05/20	240,000	5,407
Certificate of Deposit	XXXX0671	2.45%	09/02/20	240,000	4,366
Certificate of Deposit	XXXX7165	2.60%	07/28/20	240,000	5,248
TOTAL GENERAL FUND				<u>\$ 2,068,662</u>	<u>\$ 24,116</u>
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0003	Varies	Daily	\$ 739,231	\$
Certificate of Deposit	XXXX0442	1.80%	02/25/21	240,000	1,140
Certificate of Deposit	XXXX4387	1.80%	02/12/21	240,000	1,251
TOTAL DEBT SERVICE FUND				<u>\$ 1,219,231</u>	<u>\$ 2,391</u>
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0005	Varies	Daily	\$ 5,897	\$ -0-
TOTAL - ALL FUNDS				<u>\$ 3,293,790</u>	<u>\$ 26,507</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2020

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JUNE 1, 2019	\$	13,929	\$	19,318
Adjustments to Beginning				
Balance		<u>(652)</u>	\$	<u>18,395</u>
Original 2019 Tax Levy	\$	458,995	\$	649,310
Adjustment to 2019 Tax Levy		<u>65,685</u>	<u>524,680</u>	<u>742,230</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	537,957	\$
				760,625
TAX COLLECTIONS:				
Prior Years	\$	7,271	\$	10,441
Current Year		<u>513,401</u>	<u>520,672</u>	<u>736,716</u>
TAXES RECEIVABLE -				
MAY 31, 2020		<u>\$</u>	<u>17,285</u>	<u>\$</u>
				<u>23,909</u>
TAXES RECEIVABLE BY				
YEAR:				
2019		\$	11,279	\$
2018			3,195	4,832
2017			2,230	2,542
2016			395	418
2015			84	86
2014			24	19
2013			21	15
2012			40	28
2011			<u>17</u>	<u>14</u>
TOTAL		<u>\$</u>	<u>17,285</u>	<u>\$</u>
				<u>23,909</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2020

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
PROPERTY VALUATIONS:				
Land	\$ 23,271,802	\$ 22,692,011	\$ 20,309,871	\$ 19,752,362
Improvements	106,820,197	92,545,231	85,217,386	68,473,093
Personal Property	2,364,055	1,473,252	1,570,338	1,365,427
Exemptions	<u>(4,485,379)</u>	<u>(3,478,648)</u>	<u>(4,777,717)</u>	<u>(5,098,406)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 127,970,675</u>	<u>\$ 113,231,846</u>	<u>\$ 102,319,878</u>	<u>\$ 84,492,476</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.58	\$ 0.62	\$ 0.57	\$ 0.55
Maintenance	<u>0.41</u>	<u>0.41</u>	<u>0.50</u>	<u>0.52</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.99</u>	<u>\$ 1.03</u>	<u>\$ 1.07</u>	<u>\$ 1.07</u>
ADJUSTED TAX LEVY*	<u>\$ 1,266,910</u>	<u>\$ 1,166,288</u>	<u>\$ 1,094,823</u>	<u>\$ 904,070</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>97.85 %</u>	<u>99.31 %</u>	<u>99.56 %</u>	<u>99.91 %</u>

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

Maximum Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on September 11, 2004.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2020

S E R I E S - 2 0 1 4				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2021	\$ 25,000	\$ 71,875	\$	96,875
2022	25,000	71,281		96,281
2023	25,000	70,625		95,625
2024	25,000	69,906		94,906
2025	25,000	69,156		94,156
2026	25,000	68,391		93,391
2027	25,000	67,594		92,594
2028	25,000	66,766		91,766
2029	25,000	65,906		90,906
2030	25,000	65,031		90,031
2031	25,000	64,141		89,141
2032	25,000	63,219		88,219
2033	25,000	62,281		87,281
2034	25,000	61,344		86,344
2035	25,000	60,406		85,406
2036	25,000	59,469		84,469
2037	25,000	58,500		83,500
2038	325,000	51,500		376,500
2039	350,000	38,000		388,000
2040	375,000	23,500		398,500
2041	400,000	8,000		408,000
2042				
2043				
2044				
2045				
2046				
2047				
2048				
2049				
	\$ 1,875,000	\$ 1,236,891	\$	3,111,891

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2020

S E R I E S - 2 0 1 6				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2021	\$ 25,000	\$ 78,738	\$	103,738
2022	25,000	78,112		103,112
2023	25,000	77,444		102,444
2024	25,000	76,725		101,725
2025	25,000	75,956		100,956
2026	25,000	75,150		100,150
2027	25,000	74,313		99,313
2028	25,000	73,462		98,462
2029	25,000	72,613		97,613
2030	25,000	71,731		96,731
2031	25,000	70,819		95,819
2032	25,000	69,863		94,863
2033	25,000	68,863		93,863
2034	25,000	67,863		92,863
2035	25,000	66,862		91,862
2036	25,000	65,863		90,863
2037	25,000	64,863		89,863
2038	25,000	63,844		88,844
2039	25,000	62,806		87,806
2040	25,000	61,769		86,769
2041	25,000	60,703		85,703
2042	225,000	55,234		280,234
2043	250,000	44,844		294,844
2044	275,000	33,359		308,359
2045	300,000	20,781		320,781
2046	325,000	7,109		332,109
2047				
2048				
2049				
	\$ 1,900,000	\$ 1,639,689	\$	3,539,689

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2020

SERIES - 2017 REFUNDING

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 150,000	\$ 143,050	\$ 293,050
2022	155,000	138,475	293,475
2023	165,000	133,675	298,675
2024	170,000	127,800	297,800
2025	180,000	120,800	300,800
2026	185,000	113,500	298,500
2027	195,000	105,900	300,900
2028	205,000	97,900	302,900
2029	215,000	89,500	304,500
2030	225,000	80,700	305,700
2031	235,000	71,500	306,500
2032	250,000	61,800	311,800
2033	255,000	51,700	306,700
2034	270,000	41,200	311,200
2035	280,000	30,200	310,200
2036	300,000	18,600	318,600
2037	315,000	6,300	321,300
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
	<u>\$ 3,750,000</u>	<u>\$ 1,432,600</u>	<u>\$ 5,182,600</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2020

S E R I E S - 2 0 1 8				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2021	\$	\$	200,563	\$ 200,563
2022			199,938	224,938
2023			198,688	223,688
2024			197,438	222,438
2025			195,563	245,563
2026			193,188	243,188
2027			190,938	240,938
2028			188,688	238,688
2029			186,438	236,438
2030			184,188	234,188
2031			181,938	231,938
2032			179,688	229,688
2033			177,438	227,438
2034			175,313	225,313
2035			173,313	223,313
2036			171,313	221,313
2037			169,313	219,313
2038			166,813	241,813
2039			163,813	238,813
2040			160,906	235,906
2041			158,094	233,094
2042			150,125	500,125
2043			136,531	511,531
2044			122,469	497,469
2045			108,406	483,406
2046			94,344	469,344
2047			73,719	798,719
2048			46,063	796,063
2049			16,000	816,000
	\$	\$	4,561,229	\$ 9,711,229

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2020

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending May 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 200,000	\$ 494,226	\$ 694,226
2022	230,000	487,806	717,806
2023	240,000	480,432	720,432
2024	245,000	471,869	716,869
2025	280,000	461,475	741,475
2026	285,000	450,229	735,229
2027	295,000	438,745	733,745
2028	305,000	426,816	731,816
2029	315,000	414,457	729,457
2030	325,000	401,650	726,650
2031	335,000	388,398	723,398
2032	350,000	374,570	724,570
2033	355,000	360,282	715,282
2034	370,000	345,720	715,720
2035	380,000	330,781	710,781
2036	400,000	315,245	715,245
2037	415,000	298,976	713,976
2038	425,000	282,157	707,157
2039	450,000	264,619	714,619
2040	475,000	246,175	721,175
2041	500,000	226,797	726,797
2042	575,000	205,359	780,359
2043	625,000	181,375	806,375
2044	650,000	155,828	805,828
2045	675,000	129,187	804,187
2046	700,000	101,453	801,453
2047	725,000	73,719	798,719
2048	750,000	46,063	796,063
2049	800,000	16,000	816,000
	<u>\$ 12,675,000</u>	<u>\$ 8,870,409</u>	<u>\$ 21,545,409</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2020

Description	Original Bonds Issued	Bonds Outstanding June 1, 2019
Harris County Municipal Utility District No. 399 Unlimited Tax Bonds - Series 2014	1,940,000	1,900,000
Harris County Municipal Utility District No. 399 Unlimited Tax Bonds - Series 2016	1,935,000	1,935,000
Harris County Municipal Utility District No. 399 Unlimited Tax Refunding Bonds - Series 2017	3,980,000	3,895,000
Harris County Municipal Utility District No. 399 Unlimited Tax Bonds - Series 2018		5,150,000
TOTAL	<u>\$ 7,855,000</u>	<u>\$ 12,880,000</u>
Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 44,625,000	\$ 44,625,000
Amount Issued	<u>13,865,000</u>	
Remaining to be Issued	<u>\$ 30,760,000</u> (1)	<u>\$ 44,625,000</u> (1)
Debt Service Fund cash and investment balances as of May 31, 2020:		<u>\$ 1,271,031</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 742,945</u>

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

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding May 31, 2020</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
	25,000	72,406	1,875,000	Wells Fargo Bank N.A. Houston, TX
	35,000	79,422	1,900,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	145,000	147,475	3,750,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		200,563	5,150,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 205,000</u>	<u>\$ 499,866</u>	<u>\$ 12,675,000</u>	

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 520,672	\$ 459,715	\$ 507,631
Water Service	269,419	284,829	271,672
Wastewater Service	316,005	290,166	271,369
Regional Water Authority Fee	219,419	185,747	172,811
Penalty and Interest	24,759	23,955	22,629
Tap Connection and Inspection Fees	35,100	44,850	43,350
Investment Revenues	42,460	37,161	24,728
Miscellaneous Revenues	15,695	17,786	18,675
TOTAL REVENUES	\$ 1,443,529	\$ 1,344,209	\$ 1,332,865
EXPENDITURES			
Professional Fees	\$ 163,440	\$ 94,907	\$ 107,258
Contracted Services	378,245	368,471	345,701
Purchased Water Service	141,198	114,723	118,977
Purchased Wastewater Service	130,186	91,950	77,143
Regional Water Authority Assessment	226,725	184,214	168,027
Repairs and Maintenance	78,745	70,528	51,991
Other	113,264	98,032	100,335
Capital Outlay	6,124		621,325
TOTAL EXPENDITURES	\$ 1,237,927	\$ 1,022,825	\$ 1,590,757
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 205,602	\$ 321,384	\$ (257,892)
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ -0-	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 205,602	\$ 321,384	\$ (257,892)
BEGINNING FUND BALANCE	1,929,702	1,608,318	1,866,210
ENDING FUND BALANCE	\$ 2,135,304	\$ 1,929,702	\$ 1,608,318

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2017	2016	2020	2019	2018	2017	2016
\$ 438,873	\$ 389,365	36.1 %	34.2 %	37.9 %	37.0 %	36.2 %
255,291	229,886	18.7	21.2	20.4	21.5	21.3
244,491	212,334	21.9	21.6	20.4	20.6	19.7
147,946	134,794	15.2	13.8	13.0	12.5	12.5
21,826	21,221	1.7	1.8	1.7	1.8	2.0
51,616	64,694	2.4	3.3	3.3	4.4	6.0
9,306	7,921	2.9	2.8	1.9	0.8	0.7
16,875	17,109	1.1	1.3	1.4	1.4	1.6
<u>\$ 1,186,224</u>	<u>\$ 1,077,324</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 99,021	\$ 106,421	11.3 %	7.1 %	8.0 %	8.3 %	9.9 %
328,342	303,937	26.2	27.4	25.9	27.7	28.2
118,515	112,426	9.8	8.5	8.9	10.0	10.4
98,247	57,718	9.0	6.8	5.8	8.3	5.4
145,175	129,116	15.7	13.7	12.6	12.2	12.0
67,920	69,555	5.5	5.2	3.9	5.7	6.5
98,226	98,037	7.8	7.3	7.5	8.3	9.1
412,433	105,518	0.4		46.6	34.8	9.8
<u>\$ 1,367,879</u>	<u>\$ 982,728</u>	<u>85.7 %</u>	<u>76.0 %</u>	<u>119.2 %</u>	<u>115.3 %</u>	<u>91.3 %</u>
\$ (181,655)	\$ 94,596	14.3 %	24.0 %	(19.2) %	(15.3) %	8.7 %
\$ 24,376	\$ -0-					
\$ (157,279)	\$ 94,596					
<u>2,023,489</u>	<u>1,928,893</u>					
<u>\$ 1,866,210</u>	<u>\$ 2,023,489</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 736,716	\$ 693,317	\$ 578,141
Penalty and Interest	8,148	5,433	8,299
Investment Revenues	21,896	23,119	10,850
Miscellaneous Revenues	<u>55</u>	<u>38</u>	<u>7</u>
TOTAL REVENUES	<u>\$ 766,815</u>	<u>\$ 721,907</u>	<u>\$ 597,297</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 25,674	\$ 24,460	\$ 23,656
Debt Service Principal	205,000	165,000	135,000
Debt Service Interest and Fees	502,866	431,035	267,952
Bond Issuance Costs			189,165
Payment to Refunded Bond Escrow Agent			<u>71,000</u>
TOTAL EXPENDITURES	<u>\$ 733,540</u>	<u>\$ 620,495</u>	<u>\$ 686,773</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 33,275</u>	<u>\$ 101,412</u>	<u>\$ (89,476)</u>
OTHER FINANCING SOURCES (USES)			
Refunding Bonds	\$	\$	\$ 3,980,000
Payment to Refunded Bond Escrow Agent			(4,025,262)
Bond Premium			<u>236,681</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 191,419</u>
NET CHANGE IN FUND BALANCE	\$ 33,275	\$ 101,412	\$ 101,943
BEGINNING FUND BALANCE	<u>1,228,241</u>	<u>1,126,829</u>	<u>1,024,886</u>
ENDING FUND BALANCE	<u>\$ 1,261,516</u>	<u>\$ 1,228,241</u>	<u>\$ 1,126,829</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>770</u>	<u>743</u>	<u>697</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>761</u>	<u>732</u>	<u>686</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2017	2016	2020	2019	2018	2017	2016
\$ 463,731	\$ 394,877	96.0 %	96.0 %	96.8 %	97.0 %	97.0 %
7,537	8,599	1.1	0.8	1.4	1.6	2.1
5,498	3,502	2.9	3.2	1.8	1.2	0.9
1,134					0.2	
<u>\$ 477,900</u>	<u>\$ 406,978</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 21,135	\$ 18,679	3.3 %	3.4 %	4.0 %	4.4 %	4.6 %
110,000	105,000	26.7	22.9	22.6	23.0	25.8
277,024	302,507	65.6	59.7	44.9	58.0	74.3
				31.7		
				11.9		
<u>\$ 408,159</u>	<u>\$ 426,186</u>	<u>95.6 %</u>	<u>86.0 %</u>	<u>115.1 %</u>	<u>85.4 %</u>	<u>104.7 %</u>
\$ 69,741	\$ (19,208)	4.4 %	14.0 %	(15.1) %	14.6 %	(4.7) %
\$	\$					
<u>\$ -0-</u>	<u>\$ -0-</u>					
\$ 69,741	\$ (19,208)					
955,145	974,353					
<u>\$ 1,024,886</u>	<u>\$ 955,145</u>					
653	597					
642	586					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2020

District Mailing Address - Harris County Municipal Utility District No. 399
c/o Schwartz, Page & Harding, L.L.P.
1300 Post Oak Blvd., Suite 1400
Houston, TX 77056-3078

District Telephone Number - (713) 623-4531

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>May 31, 2020</u>	Expense Reimbursements for the year ended <u>May 31, 2020</u>	<u>Title</u>
Alan L’Roy	05/16 - 05/20 (Elected)	\$ 3,000	\$ 1,999	President
Jesse J. Vela	05/16 - 05/20 (Elected)	\$ -0-	\$ 2,685	Vice President
Kenneth M. Richardson	05/16 - 05/20 (Elected)	\$ 2,850	\$ 3,237	Secretary
Jaquetta Baker	05/18 - 05/22 (Elected)	\$ 3,300	\$ 2,870	Assistant Secretary
Darrell Kelsoe	05/18 - 05/22 (Elected)	\$ 2,100	\$ 1,647	Assistant Secretary

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

The submission date of the most recent District Registration Form: May 15, 2018

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on July 12, 2004. Fees of Office are the amounts actually paid to a Director during the District’s current fiscal year.

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 399
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2020

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2020</u>	<u>Title</u>
Schwartz, Page & Harding, L.L.P.	07/12/04	\$ 134,279	General Counsel
McCall Gibson Swedlund Barfoot PLLC	06/20/06	\$ 17,000	Auditor
Municipal Accounts & Consulting, L.P.	03/15/11	\$ 27,569	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, LLP	03/15/05	\$ 2,461	Delinquent Tax Attorney
Odyssey Engineering Group	03/15/16	\$ 44,998	Engineer
Rathmann & Associates, L.P.	08/17/04	\$ -0-	Financial Advisor
Mark Burton	03/15/11	\$ -0-	Investment Officer
Municipal Operations & Consulting, Inc.	08/17/04	\$ 168,055	Operator
Assessments of the Southwest, Inc.	08/17/04	\$ 11,473	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX C

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND
INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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

