

OFFICIAL STATEMENT DATED MAY 20, 2021

Revised June 1, 2021

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL TO THE EFFECT THAT, UNDER EXISTING LAW AND ASSUMING CONTINUING COMPLIANCE WITH COVENANTS IN THE BOND ORDER, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME OF THE OWNERS THEREOF FOR FEDERAL INCOME TAX PURPOSES. SEE "LEGAL MATTERS -- TAX EXEMPTION" HEREIN.

The District has **not** designated the Bonds as "qualified tax-exempt obligations" for purposes of the calculation of interest expense by financial institutions which may own the Bonds. See "TAX MATTERS -- NOT Qualified Tax-Exempt Obligations."

NEW ISSUE  
BOOK-ENTRY ONLY  
CUSIP No. 44044T

RATINGS: (S&P-- BAM) "AA" (stable outlook)  
(See "BOND INSURANCE" herein)  
Underlying Rating: Moody's "A3"

## HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT

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

**\$13,085,000**

### UNLIMITED TAX REFUNDING BONDS, SERIES 2021

**Dated Date: June 1, 2021**

**Due: February 1, as shown on inside cover**

**Date of Delivery: June 23, 2021**

The \$13,085,000 Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds") are obligations solely of Horizon Regional Municipal Utility District (the "District") and are not obligations of the State of Texas; El Paso County, Texas; the City of El Paso, Texas; or any other political subdivision or agency. See "THE BONDS--Source of and Security for Payment."

Interest on the Bonds will accrue from June 1, 2021, and will be payable August 1, 2021 and each February 1 and August 1 thereafter, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are issuable only in fully registered form in principal denominations of \$5,000 or integral multiples thereof initially registered solely in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds, until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, the Bonds shall be payable to Cede & Co., which will in turn, remit such amount to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS--Book-Entry-Only System."

The principal and interest on the Bonds is payable by UMB Bank n.a., Austin, Texas or any successor paying agent/registrar (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check mailed on or before the interest payment date to registered owners shown on the records of the Paying Agent/Registrar on the fifteenth (15<sup>th</sup>) day of the month preceding each interest payment date or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the registered owner at the risk and expense of the registered owner. See "THE BONDS--Description."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.

SEE INSIDE COVER PAGE FOR MATURITY SCHEDULE



The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS--Source of and Security for Payment." The Bonds are subject to special investment considerations described herein. See "RISK FACTORS." **Neither the State of Texas, El Paso County, Texas, the City of El Paso, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds.**

The Bonds will be delivered when, as, and if issued by the District and accepted by the initial purchaser of the Bonds (the "Underwriter"), subject, amongst other things, to the approval of the initial Bonds by the Attorney General of the State of Texas and by the approval of certain legal matters by Johnson Petrov LLP, Houston, Texas, Bond Counsel, Houston, Texas, Bond Counsel. Certain matters will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Underwriter's Counsel. Delivery of the Bonds is expected on June 23, 2021, in Houston, Texas.

**SAMCO CAPITAL**  
**UMB BANK**

## MATURITY SCHEDULE

**Bonds Dated: June 1, 2021**

**Due: February 1, as shown below**

### Serial Bonds

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Initial Yield(a)</u>	<u>CUSIP (b)</u>	<u>Maturity</u>	<u>Amount</u>		<u>Interest Rate</u>	<u>Initial Yield(a)</u>	<u>CUSIP (b)</u>
2022	\$1,095,000	3.000%	0.250%	44044TLG5	2029	\$50,000	(c)	3.000%	1.450%	44044TLP5
2023	1,135,000	3.000%	0.340%	44044TLH3	2030	50,000	(c)	3.000%	1.550%	44044TLQ3
2024	1,175,000	3.000%	0.550%	44044TLJ9	***	***	**	***	***	***
2025	1,220,000	3.000%	0.780%	44044TLK6	2036	1,985,000	(c)	2.000%	2.140%	44044TLW0
2026	45,000	3.000%	1.050%	44044TLL4	2037	2,010,000	(c)	2.000%	2.180%	44044TLX8
2027	50,000	3.000%	1.220%	44044TLM2	2038	2,035,000	(c)	2.000%	2.220%	44044TLY6
2028	50,000	3.000%	1.340%	44044TLN0						

### Term Bonds

\$2,185,000 Term Bonds, Due February 1, 2035 (c)(d), 2.000% Interest Rate, 2.050% Initial Yield (a)  
CUSIP (b) 44044TLV2  
(Interest to accrue from the Dated Date)

(a) Initial yield represents the initial reoffering yield to the public which has been established by the Underwriter for public offerings and which subsequently may be changed. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest on the Bonds from June 1, 2021 is to be added to the price.

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

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

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

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

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## **USE OF INFORMATION IN OFFICIAL STATEMENT**

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Johnson Petrov LLP, 2929 Allen Parkway, Suite 3150, Houston, Texas 77019-6100 upon payment of duplication costs.

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

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

## **SALE AND DISTRIBUTION OF THE BONDS**

### **Prices and Marketability**

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

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

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

### **Securities Laws**

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

### **Underwriter**

The Bonds are being purchased by SAMCO Capital Markets, Inc. and UMB Bank (collectively, the "Underwriter") pursuant to a bond purchase agreement with the District (the "Bond Purchase Agreement") at a price of \$13,094,334.60 (being the par amount of the Bonds, plus a reoffering premium of \$103,054.15, and less an underwriter's discount of \$93,719.55), plus accrued interest on the Bonds to the date of delivery. The obligation of the Underwriter to purchase the Bonds is subject to certain conditions contained in the Bond Purchase Agreement.

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

### **Municipal Bond Rating**

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

In connection with the sale of the Bonds, the District made application to Moody's Investors Service, Inc. ("Moody's"), which has assigned a rating of "A3" to the Bonds. An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's and the District makes no representation as to the appropriateness of such rating.

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

## SUMMARY

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

### - The District -

Issuer/Description	Horizon Regional Municipal Utility District (the "District"), a political subdivision of the State of Texas, was created by the Texas Legislature as El Paso County Water Authority in 1961 and changed its name effective September 4, 2003. The District, comprised of approximately 91,224.50 acres, is located approximately 11.3 miles from the City of El Paso's central business district, north of Interstate Highway 10 and east of Loop 375. The District's 2020 population is estimated at 33,000. A portion of the District is located within the extraterritorial jurisdictions of the City of El Paso and the City of Socorro, and the Town of Horizon City is within the boundaries of the District. See "THE DISTRICT--Description."
Authority	The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. The Bonds are issued pursuant to the authority provided by Chapters 49 and 54, Texas Water Code, as amended and Chapter 1201, Texas Government Code, as amended. See "THE DISTRICT--Authority."

### - The Bonds -

Description	The \$13,085,000 Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds") are dated June 1, 2021 and mature on February 1 in the principal amounts and bearing interest at the rates set forth on the inside cover hereof. The Bonds mature serially on February 1 in the years 2022 through 2030, both inclusive, and on February 1 in the years 2036 through 2038, both inclusive (the "Serial Bonds") in the principal amounts set forth on the inside cover page hereof, and on February 1, 2035 (the "Term Bonds"). The Term Bonds are subject to mandatory redemption as described herein under "THE BONDS--Mandatory Redemption." Bonds maturing on and after February 1, 2029, are subject to redemption, in whole or in part, at the option of the District at par plus any unpaid accrued interest on any date on or after February 1, 2028. See "THE BONDS--Description," "--Optional Redemption," and "--Mandatory Redemption."
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of El Paso County, Texas; the City of El Paso, Texas; the State of Texas; or any political subdivision other than the District. See "THE BONDS--Source of and Security for Payment."
Use of Proceeds	Proceeds of the Bonds will be used to currently refund the outstanding portions of the District's Unlimited Tax Refunding Bonds, Series 2012 and Unlimited Tax Bonds, Series 2013 (the "Refunded Bonds") and to pay the costs of issuance of the Bonds. See "THE BONDS -- Use of Proceeds."
NOT Qualified Tax Exempt Obligations	The District has NOT 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--NOT Qualified Tax-Exempt Obligations."

Payment Record      The District has never defaulted on the payment of any bond obligation. See “DISTRICT DEBT.”

Book-Entry Only System      The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 of principal amount, as applicable, or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal and interest on the Bonds will be payable by the UMB Bank n.a., Houston, Texas, the initial Paying Agent/Registrar, to Cede & Co. and Cede & Co. will make distribution of the amounts so paid to the beneficial owners of the Bonds (see “THE BONDS--Book-Entry Only System”).

Bond Counsel      Johnson Petrov LLP, Houston, Texas, Houston, Texas. See “LEGAL MATTERS” and “TAX MATTERS.”

Underwriter’s Counsel      Orrick, Herrington & Sutcliffe, LLP, Houston, Texas.

Verification Agent      Ritz & Associates PA, A Professional Association, Bloomington, Minnesota.

Financial Advisor      Blitch Associates, Inc., Houston, Texas.

Municipal Bond Rating      The District made application to Moody’s Investors Service, Inc., which has assigned a rating of “A3” to the Bonds based upon the District’s underlying credit. See “SALE AND DISTRIBUTION OF THE BONDS–Municipal Bond Rating.”

Municipal Bond Rating and Municipal Bond Insurance      S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC is expected to assign a municipal rating of “AA” (stable outlook) as a result of a municipal bond insurance policy issued by Build America Mutual Assurance Company. See “SALE AND DISTRIBUTION OF THE BONDS–Municipal Bond Rating,” “BOND INSURANCE” and “APPENDIX B–Specimen Municipal Bond Insurance Policy.”

### **RISK FACTORS**

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



**- Financial Highlights -  
(Unaudited)**

2020 Taxable Assessed Valuation (100% of Market Value)		\$1,509,903,936	(a)
Estimated Taxable Valuation as of January 1, 2021		\$1,760,511,702	(b)
Direct Debt			
Outstanding Bonds (As of May 1, 2021)		\$82,829,985	
Less: The Refunded Bonds		(12,560,000)	
The Bonds		<u>13,085,000</u>	
Total Direct Debt		\$83,354,985	
Estimated Overlapping Debt		<u>175,838,842</u>	(c)
Direct and Estimated Overlapping Debt		\$259,193,827	
Direct Debt Ratios:	<u>Est. 1/1/21 AV</u>	<u>2020 A.V.</u>	
Direct Debt to Value	4.73%	5.52%	
Direct & Estimated Overlapping Debt to Value	14.72%	17.17%	
2020 Tax Rate per \$100 of Assessed Value			
Debt Service		\$0.365294	
Maintenance		<u>\$0.209129</u>	
Total		<u>\$0.574423</u>	
	<u>Current</u>	<u>Total</u>	
2019 Tax Collection Percentage	97.23%	99.10%	
Five-Year Average (2015/2019) Collection Percentage	97.29%	98.41%	
Average Annual Debt Service Requirements (2021/45)		\$4,902,469	
Maximum Annual Debt Service Requirements (2040)		\$5,257,344	
Tax Rate Required to pay such Requirements at 98% Collection	<u>Est. 1/1/21 AV</u>	<u>2020 A.V.</u>	
Average (2021/2045)	\$0.285	\$0.332	
Maximum (2040)	\$0.305	\$0.356	
Fund Balances as of March 31, 2021 (Cash & Investments)			
General Fund		\$5,060,973	
Debt Service Fund		\$8,137,457	
Capital Projects Fund		\$24,321,827	

(a) Certified by the El Paso Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only; represents the estimate of the taxable value of all taxable property located within the District as of January 1, 2021. This estimated value is provided for informational purposes only. Taxes will be levied against the final assessed valuation in the District following the resolution of protests and other adjustments. See "TAX PROCEDURES."

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

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**\$13,085,000**  
**UNLIMITED TAX REFUNDING BONDS, SERIES 2020**

This Official Statement of Horizon Regional Municipal Utility District (the "District") is provided to furnish certain information with respect to the sale by the District of its \$13,085,000 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds").

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas and an order authorizing the issuance of the Bonds (the "Order") adopted by the Board of Directors of the District (the "Board"); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and Chapter 1207, Texas Government Code, as amended. In the Order, the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who will approve and execute a "Pricing Certificate" which will complete the sale of the Bonds (the Order and the Pricing Certificate are jointly referred to as the "Bond Order"). See "THE BONDS."

This Official Statement includes descriptions of the Bonds, the Bond Order and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document, copies of which may be obtained by contacting the District, c/o Johnson Petrov LLP, located at 2929 Allen Parkway, Suite 3150, Houston, Texas 77019-6100.

**THE BONDS**

**Description**

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

The Bonds will mature on February 1 of the years and in principal amounts, and will bear interest from June 1, 2021, at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable on August 1, 2021, and semiannually thereafter on each February 1 and August 1 until the earlier of maturity or redemption. Principal of and interest on the Bonds will be payable to Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"), by the paying agent/registrar, initially UMB Bank, n.a., Austin, Texas (the "Paying Agent/Registrar"). Cede & Co. will make distribution of the principal and interest so paid to the beneficial owners of the Bonds. For so long as DTC shall continue to serve as securities depository for the Bonds, all transfers of beneficial ownership interest will be made by book-entry only and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of the Bonds is to receive, hold or deliver any Bond certificate.

If at any time, DTC ceases to hold the Bonds as securities depository, then principal and Maturity Amount of the Bonds will be payable to the registered owner at maturity or redemption upon presentation and surrender at the principal payment office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15<sup>th</sup> day of the month next preceding the interest payment date (the "Record Date"). The Bonds of each maturity will be issued in fully-registered form only in principal amount or Maturity Amount of \$5,000 or any integral multiple thereof.

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

**Use of Proceeds**

Proceeds of the Bonds will be used to currently refund the outstanding callable portions of the District’s Unlimited Tax Refunding Bonds, Series 2012 (the “Series 2012 Bonds”) and the Unlimited Tax Bonds, Series 2013 (the “Series 2013 Bonds”) (collectively, the “Refunded Bonds”) and to pay the costs of issuance of the Bonds. The Refunded Bonds consist of the following:

<u><i>Maturity</i></u>	<u><i>Series 2012 Bonds</i></u>		<u><i>Series 2013 Bonds</i></u>		
	<u><i>Amount</i></u>	<u><i>Rate</i></u>	<u><i>Amount</i></u>	<u><i>Rate</i></u>	
2022	\$1,015,000	4.000%	—	—	
2023	1,065,000	4.000%	—	—	
2024	1,115,000	4.000%	—	—	
2025	1,170,000	4.000%	—	—	
---	—	—	—	—	
2035	—	—	\$1,940,000	5.125%	
2036	—	—	2,010,000	4.250%	
2037	—	—	2,085,000	4.250%	(a)
2038	—	—	<u>2,160,000</u>	4.250%	(a)
Totals	<u>\$4,365,000</u>		<u>\$8,195,000</u>		
Call Date	June 23, 2021		August 1, 2021		

(a) Represents sinking fund redemption payment for term bond maturing on February 1, 2038.

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

***Sources:***

Par Amount	\$13,085,000.00
Reoffering Premium	103,054.15
Accrued Interest	<u>18,968.89</u>
Total Sources	<u>\$13,207,023.04</u>

***Uses:***

Cash Deposit for Refunding	\$12,811,501.25
Underwriter’s Discount	93,719.55
Costs of Issuance	282,833.35
Deposit to the Debt Service Fund	<u>18,968.89</u>
Total Uses	<u>\$13,207,023.04</u>

## **Refunded Bonds**

In the Bond Order, the District will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Bonds from money held by the paying agents for the Refunded Bonds; Wells Fargo Bank, N.A., paying agent for the Series 2012 Bonds, and BOKF, N.A., paying agent for the Series 2013 Bonds (collectively the “Paying Agents for the Refunded Bonds”).

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

The Bond Order provides that from a portion of the proceeds of the sale of the Bonds to the underwriter listed on the cover page hereof ( the “Underwriter”), together with other legally available funds of the District, if any, the District will deposit with the Paying Agents for the Refunded Bonds, the amount necessary to accomplish the discharge and final payment of the Refunded Bonds.

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

By the deposit of the cash with the Paying Agents for the Refunded Bonds, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, and the 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, and such Refunded Bonds will be deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds deposited with the Paying Agents for the Refunded Bonds.

## **Book-Entry-Only System**

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

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

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a

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

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

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

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

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

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

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

Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

**Registration and Transfer**

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

**Mandatory Redemption**

The Bonds maturing February 1, 2035 (the "Term Bonds") are subject to mandatory redemption in part prior to maturity in the amounts (subject to redemption as described below) and on the dates set out below, at a price equal to the principal amount to be redeemed plus accrued interest to the redemption date:

<u>Redemption Date</u>	<u>Principal Amount</u>
	<i>\$2,185,000 Term Bonds Due February 1, 2035</i>
February 1, 2031	\$55,000
February 1, 2032	55,000
February 1, 2033	55,000
February 1, 2034	55,000
February 1, 2035 (maturity)	1,965,000

The particular Term Bonds to be mandatorily redeemed shall be selected by lot or other customary random selection method. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, at least 45 days prior to such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been

purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

### **Optional Redemption**

The District reserves the right, at its option, to redeem the Bonds maturing on or after February 1, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of such Bonds are to be redeemed, the Paying Agent/Registrar shall select by lot those Bonds to be redeemed.

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

### **Ownership**

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

### **Source of and Security for Payment**

The Bonds and the Outstanding Bonds (as hereinafter defined), together with any additional unlimited tax or combination unlimited tax bonds as may hereafter be issued, are payable as to principal and interest from the proceeds of a continuing, direct, annual ad valorem tax without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy annually a tax sufficient in amount to pay principal of and interest on the Bonds, full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the District's Debt Service Fund and used solely to pay principal and interest on the Bonds, the Outstanding Bonds and on any additional bonds payable from taxes which may be issued. See "Issuance of Additional Debt" below.

### **Replacement of Paying Agent/Registrar**

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

## **Authority for Issuance**

The District has previously issued fifteen installments of bonds from the aggregate principal amount of \$335,000,000 for waterworks, sanitary sewer and drainage facilities authorized at various elections held within the District for that purpose in 1970, 1995, 2003, 2012 and 2021. \$247,325,000 principal amount of unlimited tax bonds remain authorized but unissued. Additionally, unlimited tax refunding bonds in the amount of \$67,500,000 were authorized at an election in 2003, of which \$21,060,000 remain unissued. An additional \$225,000,000 unlimited tax refunding bonds were authorized on May 1, 2021. After issuance of the Bonds, \$211,915,000 refunding bonds will remain authorized. See "Issuance of Additional Debt."

The Bonds are issued pursuant to the Bond Order; Chapters 49 and 54 of the Texas Water Code, as amended; Chapter 1201, Texas Government Code, as amended; and Article XVI, Section 59 of the Texas Constitution.

## **Outstanding Bonds**

In addition to bonds issued by the District that have been retired, refunded or issued as revenue bonds (discussed below), the District has previously issued \$7,665,000 Unlimited Tax Refunding Bonds, Series 2012 (the "Series 2012 Refunding Bonds"); \$8,195,000 Unlimited Tax Bonds, Series 2013 (the "Series 2013 Bonds"); \$7,935,000 Unlimited Tax Refunding Bonds, Series 2014 (the "Series 2014 Refunding Bonds"); \$1,975,000 Unlimited Tax Bonds, Series 2014 (the "Series 2014 Bonds"); \$9,535,000 Unlimited Tax Refunding Bonds, Series 2015 (the "Series 2015 Refunding Bonds"); \$15,164,984.65 Unlimited Tax Refunding Bonds, Series 2016 (the "Series 2016 Refunding Bonds"); \$9,575,000 Unlimited Tax Bonds, Series 2017 (the "Series 2017 Bonds"); \$19,200,000 Unlimited Tax Bonds, Series 2019 (the "Series 2019 Bonds"); \$11,110,000 Unlimited Tax Bonds, Series 2020 (the "Series 2020 Bonds"); and \$620,000 Unlimited Tax Bonds, Series 2020A (the "Series 2020A Bonds").

As of May 1, 2021, \$4,365,000 of the Series 2012 Refunding Bonds; \$8,195,000 of the Series 2013 Bonds; \$7,830,000 of the Series 2014 Refunding Bonds; \$1,975,000 of the Series 2014 Bonds; \$8,065,000 of the Series 2015 Refunding Bonds; \$12,364,985 of the Series 2016 Refunding Bonds; \$9,225,000 of the Series 2017 Bonds; \$19,080,000 of the Series 2019 Bonds; \$11,110,000 of the Series 2020 Bonds; and \$620,000 of the Series 2020A Bonds remain outstanding (collectively, the "Outstanding Bonds"). The District has timely made payments due on the Outstanding Bonds.

The District has also issued and has outstanding one series of bonds payable exclusively from net revenues of the waterworks and sewer system, being the \$6,660,000 Water and Sewer System Revenue Refunding Bonds, Series 2012, of which \$2,885,000 remain outstanding as of May 1, 2021. No other revenue bonds are outstanding and the District has timely made payments on the revenue bonds.

## **Outstanding Notes and Other Debt**

The District also has outstanding one revenue note, being the Revenue Note, Series 2019 (the "Revenue Note"), payable exclusively from the net revenues of the District's water and wastewater system. As of May 1, 2021, \$222,613 remains outstanding on the Revenue Note. No other revenue notes are outstanding and the District has made timely payments on the Revenue Note.

## **Issuance of Additional Debt**

The District may issue additional bonds to provide those improvements for which the District was created. Following the issuance of the Bonds, there remains \$247,325,000 of unlimited tax bonds and \$211,915,000 of unlimited tax refunding bonds authorized but unissued. The District plans to issue up to \$19,500,000 additional bonds within the next twelve months.

According to the Engineer (hereinafter defined), to extend the utility system to the remaining undeveloped acres within the District, additional bonds will have to be voted and issued. Depending upon the rate of development and increases in assessed valuation of taxable property within the District and the amount, maturity schedule and time of issuance of



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

### **Defeasance**

The Bond Order provides that the obligation of the District to make money available to pay the principal of and interest on the Bonds may be terminated by the deposit of money and/or non-callable direct or indirect obligations of the United States of America, sufficient for such purpose, in the manner described in the Bond Order.

### **Mutilated, Lost, Stolen or Destroyed Bonds**

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

### **Consolidation**

The District has the right to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and sewer system with the water and sewer systems of the district or districts with which it is consolidating. Should any such consolidation occur, the net revenues from the operation of the consolidated system would be applied to the payment of principal, interest, redemption price and bank charges on the combination unlimited tax and revenue bonds of the District, if any, and of the district or districts with which the District is consolidated without prejudice to any series of bonds, except that bonds with subordinate liens on net revenues shall continue to be subordinate. No representations are made that the District will ever consolidate its water and sewer system with other water and sewer systems.

### **Amendments to the Bond Order**

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

### **Registered Owners' Remedies and Effects of Bankruptcy**

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

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

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

### **Bankruptcy Limitation to Registered Owners' Rights**

The enforceability of the rights and remedies of the registered owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debt; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a water control and improvement district such as the District must obtain approval of the Texas Commission on Environmental Quality ("TCEQ") prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a registered owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such registered owner's claim against the District.

### **Legal Investment and Eligibility to Secure Public Funds in Texas**

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

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

the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability of the Bonds for investment or collateral purposes.

## **BOND INSURANCE**

### **Bond Insurance Policy**

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

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

### **Build America Mutual Assurance Company**

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

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

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

### *Capitalization of BAM*

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

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

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

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

*Additional Information Available from BAM*

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

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

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

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

## THE DISTRICT

### Authority

Horizon Regional Municipal Utility District was created as El Paso County Water Authority pursuant to Article 16, Section 59 of the Texas Constitution by special act of the 57th Legislature of Texas, on August 8, 1961. On September 4, 2003, the TCEQ issued *An Order Approving A Request By El Paso County Water Authority To Change Its Name To Horizon Regional Municipal Utility District*, effective as of that date. The District is vested with all of the rights, privileges, authority, and functions conferred by the general laws of the State applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate, acquire, own, and maintain all water and wastewater facilities and improvements and improvements to control and divert storm water. The District is additionally empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to issue bonds for such purposes, after approval by the TCEQ and the District’s voters. The District is subject to the continuing supervisory jurisdiction of the TCEQ.

## **Description**

Originally created with approximately 91,000 acres, through various annexations and deannexations, the District is currently comprised of approximately 91,224.50 acres. Approximately 3,290 acres are developed, although the majority of the District is platted. The District is located approximately 11.3 miles from the City of El Paso's central business district, north of Interstate Highway 10 and east of Loop 375. The District lies partially within the extraterritorial jurisdictions of the City of El Paso and the City of Socorro, and includes the Town of Horizon City within its boundaries. The District is primarily located within the Clint Independent School District, with a portion located within the Socorro Independent School District.

## **Management of the District**

The District is governed by the Board of Directors (the "Board"), consisting of five directors, which has management control over and management supervision of all affairs of the District. All of the members of the Board reside in the District. Directors are elected to serve four-year staggered terms. Elections are held within the District in May of each odd-numbered year. The current members and officers of the Board are as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gordon (Bob) Jarvis	President	2025
John Whitaker	Vice President	2025
Vacant	Secretary	2023
Carl Dean Hulsey	Treasurer	2023
Mike Barton	Ass't Secretary/Ass't Vice President	2023

The District contracts for the services indicated below:

**Auditor** - The District's audited financial statements for the year ended September 30, 2020 were prepared by McCall Gibson Swedlund Barfoot PLLC, Houston, Texas, Certified Public Accountants. A copy of such audit appears herein as Appendix A.

**Bond Counsel** - The District employs Johnson Petrov LLP, Houston, Texas, as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of Bonds actually issued and sold; and therefore, such fees are contingent on the sale and delivery of the Bond. Johnson Petrov LLP also serves as General Counsel to the District on matters other than the issuance of bonds. See "LEGAL MATTERS."

**Underwriter's and Special Tax** - Orrick, Herrington & Sutcliffe LLP, Houston, Texas.

**Financial Advisor** - The District's financial advisor is Blich Associates, Inc., Houston, Texas.

**Engineer** - The consulting engineer for the District is TRE & Associates, LLC, El Paso, Texas.

**Operator** - The District's System is operated by Inframark, El Paso, Texas.

**Bookkeeper** - The District's books and records are kept by Inframark, El Paso, Texas.

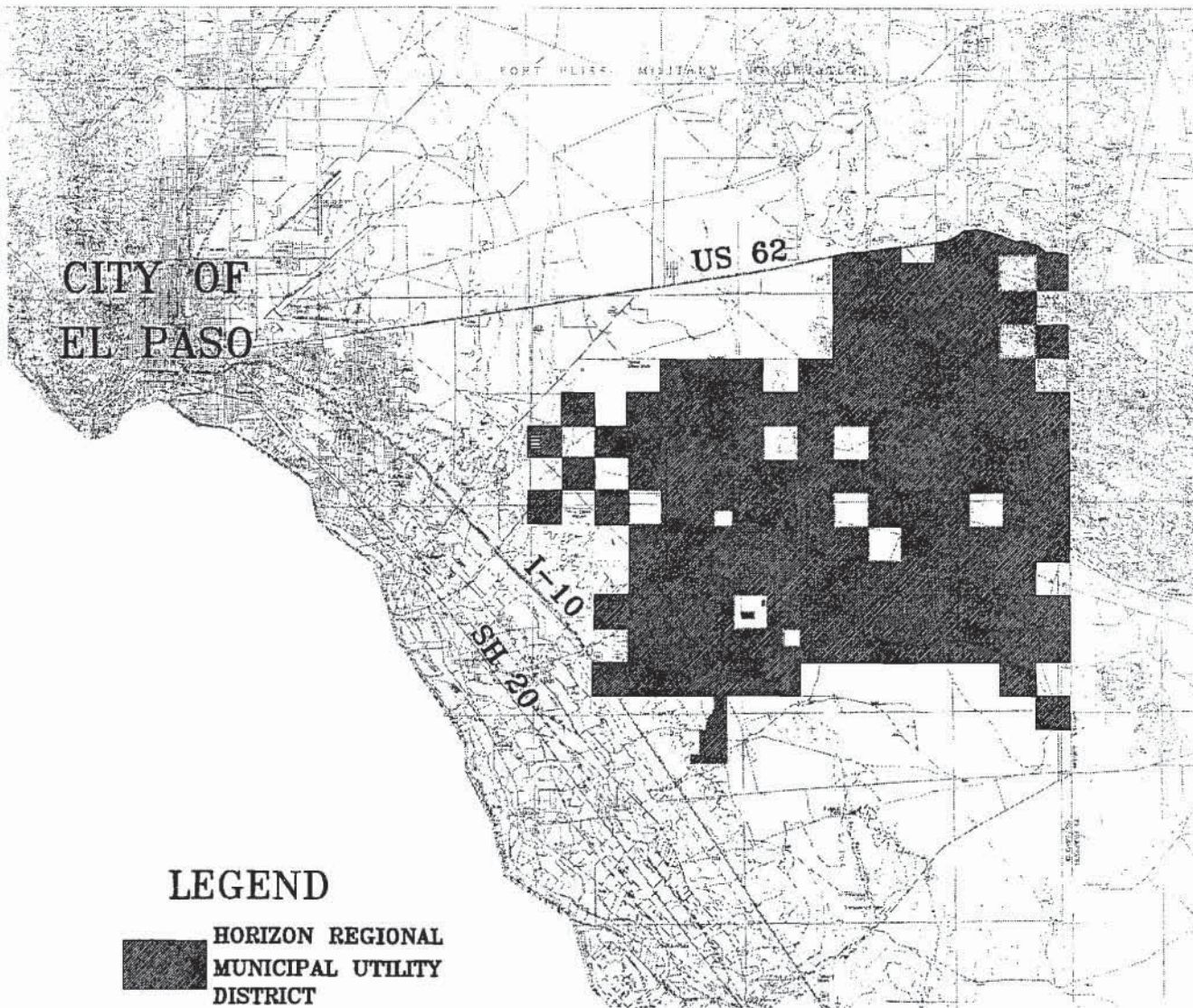
**Tax Assessor/Collector** - The District's Tax Assessor/Collector is Maria O. Pasillas, Tax Assessor/Collector for the City of El Paso, Texas.

**Development**

As of April 2021, the District provides water service to approximately 11,562 occupied single-family homes constructed in the District. As of the same date, there were an additional 309 connections served, including commercial customers, 20 schools, 12 churches and other connections.



# HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT LOCATION MAP



## LEGEND

 HORIZON REGIONAL  
MUNICIPAL UTILITY  
DISTRICT



**GRAY | JANSING & ASSOCIATES, INC.**

Consulting Engineers  
6217 Shoal Creek Blvd., Suite 200  
Austin, Texas 78757-7592  
(512)452-0371 FAX(512)454-9933

**DISTRICT DEBT  
(Unaudited)**

**Debt Statement**

2020 Taxable Assessed Valuation (100% of Market Value)		\$1,509,903,936	(a)
Estimated Taxable Valuation as of January 1, 2021		\$1,760,511,702	(b)
Direct Debt			
Outstanding Bonds (As of May 1, 2021)		\$82,829,985	
Less: The Refunded Bonds		(12,560,000)	
The Bonds		<u>13,085,000</u>	
Total Direct Debt		\$83,354,985	
Estimated Overlapping Debt		<u>175,838,842</u>	(c)
Direct and Estimated Overlapping Debt		\$259,193,827	
Direct Debt Ratios:	<u><i>Est. 1/1/21 AV</i></u>	<u><i>2020 A.V</i></u>	
Direct Debt to Value	4.73%	5.52%	
Direct & Estimated Overlapping Debt to Value	14.72%	17.17%	
Average Annual Debt Service Requirements (2021/45)		\$4,902,244	
Maximum Annual Debt Service Requirements (2040)		\$5,257,344	
Fund Balances as of March 31, 2021 (Cash & Investments)			
General Fund		\$5,060,973	
Debt Service Fund		\$8,137,457	
Capital Projects Fund		\$24,321,827	

(a) Certified by the El Paso Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only; represents the estimate of the taxable value of all taxable property located within the District as of January 1, 2021. This estimated value is provided for informational purposes only. Taxes will be levied against the final assessed valuation in the District following the resolution of protests and other adjustments. See "TAX PROCEDURES."

(c) See "Estimated Overlapping Debt."



**Estimated Overlapping Debt**

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

<u>Jurisdiction</u>	<u>Debt As Of May 1, 2021</u>	<u>Overlapping Percent</u>	<u>Overlapping Amount</u>
Clint Independent School District	\$156,985,401	59.680%	\$93,688,887
El Paso County	138,573,147	3.233%	4,480,070
El Paso County Community College District	None	3.233%	0
El Paso County Hospital District	326,350,000	3.233%	10,550,896
Horizon City, Town of	24,920,000	100.000%	24,920,000
Socorro Independent School District	820,672,685	5.142%	<u>42,198,989</u>
Estimated Overlapping Debt			\$175,838,842
The District (Includes the Bonds and Excludes the Refunded Bonds)			<u>83,354,985</u>
Total Direct & Estimated Overlapping Debt			<u>\$259,193,827</u>

## Debt Service Schedule

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

<u>Year</u>	<u>Outstanding Debt Service</u>	<u>Refunded Debt Service</u>	<u>The Bonds Principal</u>	<u>The Bonds Interest</u>	<u>The Bonds Total D/S</u>	<u>Grand Total Debt Service</u>
2021	\$4,269,644	(\$269,931)		\$51,733	\$51,733	\$4,051,446
2022	5,245,463	(1,534,563)	\$1,095,000	293,975	1,388,975	5,099,875
2023	5,249,263	(1,542,963)	1,135,000	260,525	1,395,525	5,101,825
2024	5,252,197	(1,549,363)	1,175,000	225,875	1,400,875	5,103,709
2025	5,254,969	(1,558,663)	1,220,000	189,650	1,409,950	5,106,256
2026	5,256,719	(365,263)	45,000	170,975	215,975	5,107,431
2027	5,259,431	(365,263)	50,000	169,550	219,550	5,113,719
2028	5,261,975	(365,263)	50,000	168,050	218,050	5,114,763
2029	5,261,288	(365,263)	50,000	166,550	216,550	5,112,575
2030	5,258,375	(365,263)	50,000	165,050	215,050	5,108,163
2031	5,256,669	(365,263)	55,000	163,750	218,750	5,110,156
2032	5,254,272	(365,263)	55,000	162,650	217,650	5,106,659
2033	5,256,031	(365,263)	55,000	161,550	216,550	5,107,319
2034	5,255,000	(365,263)	55,000	160,450	215,450	5,105,188
2035	5,256,119	(2,255,550)	1,965,000	140,250	2,105,250	5,105,819
2036	5,254,191	(2,233,125)	1,985,000	100,750	2,085,750	5,106,816
2037	5,254,113	(2,221,106)	2,010,000	60,800	2,070,800	5,103,806
2038	5,257,181	(2,205,900)	2,035,000	20,350	2,055,350	5,106,631
2039	5,253,806					5,253,806
2040	5,257,344					5,257,344
2041	5,241,478					5,241,478
2042	5,228,275					5,228,275
2043	5,209,472					5,209,472
2044	5,204,872					5,204,872
2045	5,196,800					5,196,800
	<u>\$130,204,944</u>	<u>(\$18,658,525)</u>	<u>\$13,085,000</u>	<u>\$2,832,783</u>	<u>\$15,917,783</u>	<u>\$127,464,202</u>

Average Annual Debt Service (2021/2045)  
Maximum Annual Debt Service (2040)

\$ 4,902,469  
\$ 5,257,344

## Historical Operations of the Debt Service Fund

The following statement sets forth in condensed form the historical operations of the District's Debt Service Fund. Such information has been prepared based upon information obtained from the District's audited financial statements (except for the fiscal year ended September 30, 2020, which is unaudited). Reference is made to such statements for further and complete information.

### Fiscal Years Ended September 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues					
Property Tax	\$5,396,626	\$4,775,779	\$3,943,341	\$3,682,159	\$3,774,659
Interest & Other Income	<u>155,100</u>	<u>137,068</u>	<u>73,080</u>	<u>63,553</u>	<u>58,963</u>
Total Revenues	\$5,551,726	\$4,912,847	\$4,016,421	\$3,745,712	\$3,833,622
Expense					
Debt Service (b)	\$4,983,007	\$4,189,200	\$3,933,972	\$4,302,137	\$3,760,660
Other Expense	<u>9,950</u>	<u>9,700</u>	<u>6,150</u>	<u>14,605</u>	<u>4,550</u>
Total Expense	<u>\$4,992,957</u>	<u>\$4,198,900</u>	<u>\$3,940,122</u>	<u>\$4,316,742</u>	<u>\$3,765,210</u>
Net Revenues (Expenses)	\$558,769	\$713,947	\$76,299	(\$571,030)	\$68,412
Fund Balance (10/1)	\$5,727,027	\$3,622,292	\$3,546,262	\$3,443,609	\$3,279,212
Net Bond Proceeds	0	1,390,788	0	335,850	(497,515)
Net Transfers	<u>22,021</u>	<u>0</u>	<u>(269)</u>	<u>337,833</u>	<u>593,500</u>
Fund Balance (9/30)	<u>\$6,307,817</u>	<u>\$5,727,027</u>	<u>\$3,622,292</u>	<u>\$3,546,262</u>	<u>\$3,443,609</u>
Cash & Investments (9/30)	<u>\$6,306,590</u>	<u>\$5,727,027</u>	<u>\$3,622,292</u>	<u>\$3,553,912</u>	<u>\$3,436,904</u>

(a) The Auditor has adjusted the Debt Service Fund to record the October 1 debt service payment in the period due rather than when paid. Accordingly, both the Fund Balance and the Cash & Investments at September 30 include the October 1 payment.

## TAX PROCEDURES

### Authority To Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the District's Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. Currently, a debt service tax of \$0.365294 per \$100 assessed value is levied within the District. The Board also is authorized to levy and collect annual ad valorem taxes for the administration, operation and maintenance of the District and its properties and for the payment of certain contractual obligations other than bonds if such taxes are authorized by vote of the District's electors at an election. At an election held within the District on July 14, 1970, the voters in the District authorized the levy of a maintenance and operation tax in an amount

not to exceed \$1.50 per \$100 assessed. Currently, a maintenance and operation tax of \$0.209129 per \$100 assessed value is levied within the District.

### **Exempt Property**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made to levy taxes against tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt real 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; non-profit cemeteries; certain household goods, family supplies and personal effects; and certain property owned by qualified charitable, religious, veterans, youth, fraternal, or educational organizations. Property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty is exempt to between \$5,000 and \$12,000 depending on the disability rating of the veteran. State law further mandates a complete exemption for the residential homestead of disabled veterans determined to be 100% disabled by the U.S. Department of Veterans Affairs. 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 such exemption on the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization or donated at some cost to the disabled veteran in the form of a cash payment, a mortgage or both in an aggregate amount that is not more than 50% of the good faith estimate of the market value of the residence homestead as of the date the donation is made. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. 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. Finally, the surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

If approved by the Board or through a process of petition and referendum by the District's voters, residence homesteads of certain persons who are disabled or at least 65 years old are exempt to the extent of \$3,000 or such higher amount, as the Board or the District's voters may approve. The District's tax assessor is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. The District currently grants a \$25,000 homestead exemption to persons who are 65 years of age or older. No exemption is currently granted to disabled homestead owners.

The Board also may exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt and the granting of the homestead exemption would impair the obligation or the contract by which the debt was created, then the Board may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged. The Board currently grants no percentage homestead exemption.

El Paso County may designate all or part of the area within the District as a reinvestment zone, and the District, El Paso County, Clint Independent School District, Socorro Independent School District, the City of El Paso or the Town of

Horizon may thereafter enter into tax abatement agreements with owners of real property within the zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction, for a period of up to 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. None of the area within the District has been designated as a reinvestment zone to date.

### **Appraisal of Taxable Property**

The Texas Property Tax Code (the "Property Tax Code") establishes an appraisal district and an appraisal review board in each county of the State of Texas. The appraisal district is governed by a board of directors which is elected by the governing bodies of cities, towns, the county, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district, and of the county. The board of directors selects a chief appraiser to manage the appraisal office of the appraisal district. All taxing units within El Paso County, including the District, are included in the El Paso Central Appraisal District (the "Appraisal District"). The Appraisal District is responsible for appraising property within the District, subject to review by the El Paso Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll approved by the Appraisal Review Board must be used by the District in establishing its tax rolls and tax rate. The valuation and assessment of taxable property within the District is governed by the Property Tax Code.

### **Assessment and Levy**

Generally, all taxable property in the District (other than any qualifying agricultural or timber land) must be appraised at 100% of market value as of January 1 of each tax year, subject to review and approval by the Appraisal Review Board. However, houses held for sale by a developer or builder which remain unoccupied, are not leased or rented, and produce no income are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business. Valuation of houses at inventory level in future years could reduce the assessed value of developer and builder house inventory within the District. Certain land may be appraised at less than market value under the Property Tax Code. Upon application of a landowner, land which qualifies as "open-space land" is appraised based on the category of land, agriculture and hunting or recreational leases. 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 in 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 District at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

The chief appraiser must give written notice to each owner if the appraised value of his property is greater than it was in the preceding year, if the appraised value of the property is greater than the value rendered by the property owner, or if the property was not on the appraisal roll in the preceding year. In addition, the chief appraiser must give written notice to each property owner whose property was reappraised in the current year or if ownership of the property changed during the preceding year. The Appraisal Review Board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice with the Appraisal Review Board may appeal the final determination by the Appraisal Review Board by filing suit in Texas district court. Prior to such appeal and prior to the delinquency date, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisals of a certain category of property, the exclusion of property

from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property.

The rate of taxation is set by the Board of the District based upon the valuation of property within the District as of the preceding January 1 and based upon the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations.

The District is responsible for the levy and collection of its taxes and will continue to do so unless the Board or the qualified voters of the District or of El Paso County at an election held for such purpose determines to transfer such functions to the Appraisal District or another taxing unit.

The District is required to publish a notice of, and hold a public hearing on the tax rate proposed to be levied in the current year. The notice must set forth a comparison of the tax rate proposed for the current year to the tax rate set in the preceding year. If the proposed combined debt service, operation and maintenance and contract tax rates imposes a tax more than 1.08 times the amount of tax imposed in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead, disregarding any homestead exemption available to the disabled or persons 65 years of age or older, the qualified voters of the taxing jurisdiction by petition of ten percent of the registered voters in the taxing jurisdiction may require that an election be held to determine whether to reduce the operation and maintenance tax to the rollback tax rate.

### **Operation and Maintenance Tax Rates**

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

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as “Special Taxing Units.” Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as “Developed Districts.” Districts that do not meet either of the classifications previously discussed can be classified herein as “Developing Districts.” The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

#### *Special Taxing Units*

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

#### *Developed Districts*

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year’s debt service and contract tax rate plus 1.035 times the

previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

#### *Developing Districts*

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

#### *The District*

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

#### **Collection**

Taxes are due on receipt of the tax bill and become delinquent after January 31 of the following year. However, a person over 65 years of age is entitled by law to pay current taxes on his residence homestead in installments or to defer taxes without penalty during the time he owns and occupies the property as his residence homestead. The date of the delinquency of a tax bill may be postponed if the tax bill is mailed after January 10. Delinquent taxes are subject to a 6% penalty for the first month of delinquency, 1% for each month thereafter to June 30 and 12% total if any taxes are unpaid on July 1. Delinquent taxes also accrue interest at the rate of 1% per month during the period they remain outstanding. In addition, if the District engages an attorney for collection of delinquent taxes, the Board may impose a further penalty not to exceed 20% on all taxes, penalty and interest unpaid on July 1.

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on January 1 of the year for which the tax is imposed. The District has a statutory lien for unpaid taxes on real property against which the taxes are assessed. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit to foreclose its lien securing payment of the tax, to enforce personal liability for the tax, or both. The District's tax lien is on a parity with the tax liens of the other state and local jurisdictions levying taxes on property within the District. Whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other federal, state and local taxing jurisdictions, by effects of the foreclosure sale price attributable to market conditions, by taxpayer redemption rights, or by bankruptcy proceedings which restrain the collection of a taxpayer's debts.

## TAX DATA

### General

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

### Tax Collection History

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

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Percent Current</u>	<u>Percent Total</u>	<u>Year End Sept 30</u>
2006	\$675,471,082	\$0.468693	\$3,167,787	96.03%	98.70%	2007
2007	840,900,109	0.468693	3,911,604	95.52%	97.28%	2008
2008	936,408,214	0.468693	4,431,963	95.41%	98.28%	2009
2009	973,247,734	0.468693	4,561,544	96.85%	101.19%	2010
2010	970,191,229	0.468700	4,556,415	97.00%	99.48%	2011
2011	1,016,639,584	0.468700	4,757,947	97.52%	99.98%	2012
2012	1,051,877,511	0.468700	4,929,096	96.98%	99.26%	2013
2013	1,078,871,132	0.490000	5,279,998	97.50%	99.72%	2014
2014	1,109,240,212	0.495000	5,492,936	97.53%	98.61%	2015
2015	1,117,056,463	0.495650	5,538,710	97.52%	99.45%	2016
2016	1,156,844,195	0.502863	5,795,593	97.42%	95.49%	2017
2017	1,200,694,525	0.512006	6,155,218	97.29%	99.34%	2018
2018	1,322,694,833	0.554355	7,343,609	97.02%	98.73%	2019
2019	1,434,613,058	0.575274	8,267,355	97.23%	99.10%	2020
2020	1,509,903,936	0.574423	8,686,751	95.19%	96.56%	2021 (a)

(a) Collections through March 31, 2021 only.

### Tax Rate Distribution

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Debt Service	\$0.365294	\$0.378900	\$0.365148	\$0.329900	\$0.335051	\$0.34000
Maintenance	<u>0.209129</u>	<u>0.196374</u>	<u>0.189207</u>	<u>0.182106</u>	<u>0.167812</u>	<u>0.15565</u>
Total	<u>\$0.574423</u>	<u>\$0.575274</u>	<u>\$0.554355</u>	<u>\$0.512006</u>	<u>\$0.502863</u>	<u>\$0.49565</u>



**Analysis of Tax Base**

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

	<u>2020 Amount</u>	<u>2020 %'s</u>	<u>2019 Amount</u>	<u>2019 %'s</u>
Land	\$393,306,221	22.84%	\$385,882,965	23.58%
Improvements	1,216,771,568	70.67%	1,152,439,083	70.41%
Personal Property	<u>111,719,478</u>	6.49%	<u>98,337,966</u>	6.01%
Subtotal	\$1,721,797,267		\$1,636,660,014	
Less: Exemptions	<u>(227,153,940)</u>		<u>(229,775,103)</u>	
Total Taxable Value	<u>\$1,494,643,327</u>		<u>\$1,406,884,911</u>	
	<u>2018 Amount</u>	<u>2018 %'s</u>	<u>2017 Amount</u>	<u>2017 %'s</u>
Land	\$370,895,317	24.15%	\$335,507,376	24.80%
Improvements	1,066,943,049	69.46%	931,495,994	68.84%
Personal Property	<u>98,143,715</u>	6.39%	<u>86,098,966</u>	6.36%
Subtotal	\$1,535,982,081		\$1,353,102,336	
Less: Exemptions	<u>(220,807,580)</u>		<u>(157,902,635)</u>	
Total Taxable Value	<u>\$1,315,174,501</u>		<u>\$1,195,199,701</u>	

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

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation which would be required to meet certain debt service requirements if no growth in the District’s tax base occurs beyond the 2020 Taxable Value of \$1,509,903,936, or alternatively, beyond the Estimate of Taxable Value as of January 1, 2021 (\$1,760,511,702). The calculations assume collection of 98% of taxes levied and the sale of no additional bonds (other than the Bonds) by the District.

Average Annual Debt Service Requirements (2021/2045)	\$4,902,469
Tax Rate of \$0.332 on the 2020 Taxable Value produces	\$4,912,623
Tax Rate of \$0.285 on the 1/1/2021 Estimate of Taxable Value produces	\$4,917,109
Maximum Annual Debt Service Requirements (2040)	\$5,257,344
Tax Rate of \$0.356 on the 2020 Taxable Value produces	\$5,267,753
Tax Rate of \$0.305 on the 1/1/2021 Estimate of Taxable Value produces	\$5,262,169

**Estimated Overlapping Taxes**

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, a tax lien attaches to property to secure the payment of all taxes, penalty, and interest for the year, on January 1 of that year. The tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In

addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative, and/or general revenue purposes.

<u><i>Taxing Entities</i></u>	<u><i>2020 Tax Rates</i></u>
Clint Independent School District (a)	\$1.394700
El Paso County	0.488997
El Paso County Community College District	0.139859
El Paso County Emergency Services District No. 1	0.100000
Horizon City, Town of	0.602607
University Medical Center of El Paso (El Paso Co Hospital District)	<u>0.267747</u>
Overlapping Taxes	\$2.993910
The District	<u>0.574423</u>
Total Direct & Overlapping Taxes	<u><u>\$3.568333</u></u>

(a) Overlaps approximately 60% of the taxable value of the District; the remaining portion lies within Socorro Independent School District, which had a 2020 tax rate of \$1.343354.

#### Principal Taxpayers

<u><i>Name of Taxpayer</i></u>	<u><i>Type of Property</i></u>	<u><i>2020 Ass'd Value</i></u>	<u><i>% Total 2020 A/V</i></u>	<u><i>2019 Ass'd Value</i></u>	<u><i>% Total 2019 A/V</i></u>
Wal-Mart Stores Inc	Commercial	\$25,959,730	1.71%	\$23,787,203	1.66%
SCF RC Funding IV LLC (a)	Commercial	12,025,290	0.79%	12,736,951	0.89%
EP Horizon Management LLC	Consultant	9,947,597	0.66%	10,247,211	0.71%
Jaf-Paso Partners LP	Commercial	8,638,781	0.57%	7,139,892	0.50%
El Paso Electric Co	Electric Utility	7,097,992	0.47%	6,522,838	0.45%
Southwest Freight Lines	Freight Shipping	6,686,781	0.44%	6,686,781	0.47%
Air Systems Components	Manufacturer	5,647,986	0.37%	6,282,414	0.44%
FedEx Freight Inc.	Freight Shipping	5,571,578	0.37%	5,811,060	0.41%
AMO Enterprises Inc.	Industrial	5,360,975	0.35%	(b)	
Shops at Horizon Blvd LLC	Shopping Mall	4,803,190	0.32%	(b)	
Munoz Trucking Inc.	Trucking	(b)		3,959,645	0.28%
Fedex National NTC Inc	Truck Terminal	<u>(b)</u>	<u>        </u>	<u>3,867,834</u>	<u>0.27%</u>
Total--Top Ten		<u><u>\$91,739,900</u></u>	<u><u>6.05%</u></u>	<u><u>\$87,041,829</u></u>	<u><u>6.07%</u></u>

(a) Shown as 318 Horizon Venture on the 2019 tax rolls.

(b) Not among top ten this year.

## THE SYSTEM

### General

**The following section describes the District's water, wastewater and storm drainage facilities. The revenues of such facilities are not pledged to the repayment of the Bonds.**

### Regulation

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

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

### Description of the System

Following is a description of the components of the District's System.

#### *- Water System -*

The District's potable water is provided by ground water. Ten wells with a yield of approximately 1.25 million gallons of water per day ("mgd") supply water meeting United States Environmental Protection Agency and TCEQ quality requirements with minimal treatment. In addition, the District also owns and operates a reverse osmosis water treatment plant (the "R.O. Plant"), which currently treats and delivers 8.0 mgd into the supply system.

The water supply system includes five elevated storage tanks and four ground storage tanks. The combined storage capacity is 5.1 million gallons. The District serves 10,619 residential and 736 other connections as of February 2020.

#### *- Wastewater System -*

Wastewater collection and treatment is being provided to residential and other customers within an approximate 3,000 acre area of the District. The District's wastewater treatment system capacity is 3.0 mgd which is provided by its complete mix treatment plant. The wastewater collection system includes fourteen lift stations.

#### *- Stormwater Drainage -*

Storm drainage throughout the District is principally conveyed through a series of man-made and naturally occurring "arroyos" or channels. No District funds have been expended on stormwater drainage, nor is any expected.

## Rate Order

The District's utility rate order, subject to change from time to time by the Board, is summarized in part below and became effective October 1, 2020:

**-Water Rates-**  
(based on monthly consumption)

First 3,000 gallons	\$17.00 (a)
3,001 to 6,000 gallons	\$1.58 per thousand gallons
6,001 to 10,000 gallons	\$1.98 per thousand gallons
10,001 to 15,000 gallons	\$2.47 per thousand gallons
15,001 to 25,000 gallons	\$3.09 per thousand gallons
25,001 to 50,000 gallons	\$3.86 per thousand gallons
50,001 to 100,000 gallons	\$4.82 per thousand gallons
100,001 to 250,000 gallons	\$6.03 per thousand gallons
250,001 to 400,000 gallons	\$7.53 per thousand gallons
400,001 to 1,000,000 gallons	\$9.42 per thousand gallons
Over 1,000,000 gallons	\$11.77 per thousand gallons

(a) Based upon meter size of less than 1". For meters of 1", the minimum fee is \$17.33 and for meters greater than 1", the minimum fee is \$21.56. In addition, a monthly fee of \$20.50 (increasing to \$21.50 effective January 1, 2021) is added to each water customer not exempted from mandatory solid waste collection service.

**-Wastewater-**  
(based upon monthly water consumption)(a)

First 3,000 gallons	\$18.68 (b)
3,001 to 6,000 gallons	\$1.05 per thousand gallons
6,001 to 10,000 gallons	\$1.31 per thousand gallons
10,001 to 15,000 gallons	\$1.64 per thousand gallons
15,001 to 25,000 gallons	\$2.05 per thousand gallons
25,001 to 50,000 gallons	\$2.56 per thousand gallons
50,001 to 100,000 gallons	\$3.20 per thousand gallons
100,001 to 250,000 gallons	\$4.01 per thousand gallons
250,001 to 400,000 gallons	\$5.01 per thousand gallons
400,001 to 1,000,000 gallons	\$6.26 per thousand gallons
Over 1,000,000 gallons	\$7.82 per thousand gallons

(a) Charges for wastewater services are based on the lesser of (i) the current monthly water bill or (ii) the average monthly usage for the preceding December, January and February.

(b) Based upon meter size of less than 1". For meters of 1" and greater, the minimum fee is \$25.00.

## Effect of 10/1/2020 Rate Order Increase

The October 1, 2020 Rate Order increased the 3/4" or less metered water customers by \$6.00 per month and the wastewater customers by \$4.00 per month. With 11,020 such water customers and 8,809 wastewater customers at September 30, 2020, the increase would amount to an additional \$1.2 million in revenues.

## Historical Operations of the General Operating Fund

The following statement sets forth in condensed form the historical operations of the District's General Operating Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such information has been prepared based upon information obtained from the District's audited financial statements (except for the six month period ended March 31, 2021, which was taken from unaudited District records), reference to which is made for further and complete information. Revenues of the General Operating Fund are not pledged to the repayment of the Bonds.

	<i>10/1/20 to</i>		<i>Fiscal Year Ended September 30,</i>			
	<u>3/31/21(a)</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Revenues</b>						
Property Taxes	\$3,011,616	\$2,796,044	\$2,474,562	\$2,171,236	\$1,852,090	\$1,729,402
Water Service	1,926,722	3,463,204	3,152,598	3,167,578	3,334,185	3,240,494
Wastewater/Garbage Svc	2,557,494	4,667,019	4,575,072	4,418,626	4,172,422	4,078,234
Sprayfield/Golf Course	502,891	888,800	932,960	642,916	661,550	648,041
Tap Connections/Inspect	13,812	23,364	30,068	164,639	26,415	21,693
Other	<u>272,261</u>	<u>488,026</u>	<u>815,526</u>	<u>455,445</u>	<u>655,477</u>	<u>553,412</u>
Total Revenues	\$8,284,796	\$12,326,457	\$11,980,786	\$11,020,440	\$10,702,139	\$10,271,276
<b>Expenditures</b>						
Professional Fees	\$125,610	\$404,591	\$337,697	\$354,928	\$254,531	\$234,095
Contracted Services	2,674,502	5,169,197	4,843,610	4,431,644	4,164,304	4,038,835
Utilities	654,885	1,512,665	1,359,177	1,570,375	1,590,633	1,396,540
Repairs & Maintenance	1,452,961	3,400,768	2,739,901	2,403,541	1,631,710	1,557,114
Effluent Spray Field	430,631	583,966	964,787	746,191	790,228	801,768
Other	<u>559,929</u>	<u>1,158,160</u>	<u>984,676</u>	<u>885,379</u>	<u>891,161</u>	<u>768,237</u>
Total Expenditures	<u>\$5,898,518</u>	<u>\$12,229,347</u>	<u>\$11,229,848</u>	<u>\$10,392,058</u>	<u>\$9,322,567</u>	<u>\$8,796,589</u>
Net Revenues (b)	<u>\$2,386,278</u>	<u>\$97,110</u>	<u>\$750,938</u>	<u>\$628,382</u>	<u>\$1,379,572</u>	<u>\$1,474,687</u>
<b>Fund Balance, October 1</b>						
Bond Issuance Costs	0	0	0	(20,585)	0	(20,713)
Gain on Sale of Assets	0	780,998	0	0	165,000	0
Note/Lease Proceeds	0	0	213,409	72,928	423,500	0
Rev Bond/Notes Debt	(626,446)	(896,000)	(898,186)	(880,040)	(437,357)	(289,925)
Capital Outlay (Net)	0	(72,940)	(516,148)	(543,910)	(674,693)	(528,159)
Net Transfers In/Out	0	<u>(87,021)</u>	<u>20,585</u>	<u>269</u>	<u>161,175</u>	<u>(635,405)</u>
Fund Balance, Sept 30		\$1,355,803	\$1,533,656	\$1,963,058	\$2,706,014	\$1,688,817
Cash/Inv, Sept 30		<u>\$932,299</u>	<u>\$1,134,208</u>	<u>\$1,448,645</u>	<u>\$2,244,403</u>	<u>\$1,231,785</u>
Percent of Annual Expense		7.62%	10.10%	13.94%	24.07%	14.00%
Water Meters, Sept 30		11,226	10,958	10,608	10,323	9,825

(a) Unaudited figures.

(b) See "Effect of 10/1/2020 Rate Order Increase" above.

## Revenue Debt Service

In addition to the Bonds and the Outstanding Bonds that share a combined pledge of taxes and net revenues, the District has issued its Waterworks and Sewer System Revenue Refunding Bonds, Series 2012, and its Waterworks and Sewer System Revenue Note, both payable solely from net revenues of the District's utility system, the combined debt service requirements for which are set forth below:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total D/S</u>
2021	\$613,631	\$130,262	\$743,894
2022	648,063	102,381	750,444
2023	582,330	75,489	657,818
2024	575,000	54,819	629,819
2025	605,000	33,570	638,570
2026	<u>630,000</u>	<u>11,340</u>	<u>641,340</u>
	<u>\$3,654,024</u>	<u>\$407,861</u>	<u>\$4,061,885</u>

## RISK FACTORS

### General

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

### Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and of developed lots which are currently being marketed for sale to homebuilders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions in El Paso, the State of Texas and the nations and those conditions can affect the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability (see "Credit Market and Liquidity in the Financial Markets," below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

### Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities

within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 11 miles from the central downtown business district of the City of El Paso, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the El Paso metropolitan and regional economies and national credit and financial markets. A continued downturn in the economic conditions of El Paso and further decline in the nation's real estate and financial markets could continue to adversely affect development and home-building plans in the District and restrain the growth of the District's property tax base.

### **National Economy**

Nationally, there has been a significant downturn in new housing construction, resulting in a decline in housing market values in recent years. The El Paso area, which includes the District, has experienced reduced levels of home construction. The District cannot predict what impact, if any, a continued or renewed downturn in the local and national housing and financial markets may have on the El Paso area market and specifically, the District.

### **Factors Affecting Taxable Values and Tax Payments**

***Economic Factors:*** The growth of taxable values in the District is directly related to the vitality of the housing development and commercial building industry in the El Paso metropolitan area. The housing and building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions. During the late 1980's, an oversupply of single-family residential housing in the El Paso metropolitan market and the general downturn in the El Paso economy adversely affected the local residential development and construction industries. In addition to a decline in housing demand, mortgage foreclosure by private banks and government and financial institutions depressed housing prices and the value of residential real estate in the El Paso metropolitan area. The El Paso economy is still somewhat dependent on energy prices and a precipitous decline in such prices could result in additional adverse effects on the El Paso economy.

***Maximum Impact on District Rates:*** Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2020 taxable value is \$1,509,903,936 and the Estimated Taxable Value as of January 1, 2021 is \$1,760,511,702. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement (2040) is \$5,257,344 and the average annual debt service requirements (2021/2045) is \$4,902,469. Assuming no increase or decrease from the above valuation and no use of funds other than tax collections, tax rates of \$0.356 and \$0.332 per \$100 assessed valuation at a 98% collection rate against the 2020 taxable value, respectively, would be necessary to pay such debt service requirements on the maximum annual and average annual debt service requirements. Based the Estimated Taxable Value as of January 1, 2021, such tax rates would be \$0.305 and \$0.285 respectively. The Board has levied a tax rate of \$0.365294 for debt service purposes and \$0.209129 for maintenance purposes for 2020. See "DISTRICT DEBT--Debt Service Schedule" and "TAX DATA--Tax Rate Calculations."

### **Overlapping Tax Rates**

Consideration should be given to the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The combination of the District's and the overlapping taxing entities' tax rates is higher than the combined tax rates levied upon certain other comparable developments in the market area.

Consequently, an increase in the District's tax rate above those anticipated above may have an adverse impact on future development or the construction of additional taxable improvements in the District. See "DISTRICT DEBT--Estimated Overlapping Debt" and "TAX DATA--Estimated Overlapping Taxes."

## **Infectious Disease Outbreak–COVID-19**

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

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. Many of the federal, State and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which negatively affects the operation of businesses and the State and national economies. On March 2, 2021, the Governor issued Executive Order GA-34 rescinding most of the Governor's earlier executive orders related to the Pandemic. Effective March 10, 2021, all businesses of any type may open to 100% capacity subject to mitigation strategies imposed by counties in the State in the event of increased hospitalizations. Additionally, the order ends the statewide mask mandate. Businesses may still limit capacity or implement additional safety protocols at their own discretion. Additional restrictions and measures at the State and local level may be required if active cases or increased hospitalizations occur.

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

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

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

### **Tax Collection Limitations**

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



property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Because ownership of the land within the District may become highly fragmented among a number of taxpayers, attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer.

### **Registered Owners' Remedies**

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Bond Order, the registered owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the registered owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on the property of the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the registered owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

### **Bankruptcy Limitation to Registered Owners' Rights**

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a registered owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the registered owner's claim against a district.

### **Environmental Regulation and Air Quality**

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

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

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

***Air Quality/Greenhouse Gas Issues.*** Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial and residential development in El Paso and adjacent areas. Under the Clean Air Act (“CAA”) Amendments of 1990, the El Paso County area (“EPC area”) was originally designated by the EPA as a moderate ozone nonattainment area under the “8-hour” ozone standard of 80 parts per billion (“ppb”) (“the 1997 Ozone Standard”). Such areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA’s “8-hour” ozone standards are met. To provide for reductions in ozone concentrations, the EPA and the TCEQ have imposed increasingly stringent limits on sources of air emissions and require any new source of significant air emissions to provide for a net reduction of air emissions. On June 15, 2007, the Governor of the State of Texas requested a voluntary reclassification of the EP area to a severe ozone nonattainment area under the 1997 Ozone Standard, with an attainment date of June 15, 2019. On October 1, 2008, the EPA granted this request. The severe classification gives the EP area more time to reach attainment under the 1997 Ozone Standards. It is possible that additional controls will be necessary to allow the EP area to reach attainment by June 15, 2019. These additional controls could have a negative impact on the EP area’s economic growth and development.

In 2008, the EPA lowered the ozone standard to 75 ppb (the “2008 Ozone Standard”), and designated the EP area as a marginal ozone nonattainment area. The EP area was required to reach attainment under the 2008 Ozone Standard no later than July 20, 2018, but is currently designated as a moderate nonattainment area under such standard. Because the EP area has failed to demonstrate progress in reducing ozone concentrations and failed to meet EPA’s standards, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, as well as severe emissions offset requirements on new major sources of air emissions for which construction has not already commenced.

On October 1, 2015, the EPA lowered the ozone standard to 70 ppb (the “2015 Ozone Standard”). On May 1, 2018, the EPA designated the EP area as a marginal ozone nonattainment area under the 2015 Ozone Standards. The EP designation became effective on August 3, 2018. A designation of nonattainment for ozone or any pollutant 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. This designation could additionally make it more difficult for the EP area to demonstrate progress in reducing ozone concentration.

In order to comply with the EPA’s standards for the EP area, the TCEQ has established a state implementation plan (“SIP”) 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 EP area.

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

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

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

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

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

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

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

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four (4) categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United

States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR is effective June 22, 2020, and is currently the subject of ongoing litigation.

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

### **Future Debt**

The District has \$247,325,000 principal amount of unlimited tax bonds for water, sanitary sewer and drainage purposes authorized by the District’s voters which remain unauthorized. The District has the right to issue such additional bonds as may hereafter be approved by both the Board and voters of the District. Any such authorized but unissued bonds may be issued by the District from time to time as needed.

The District intends to issue up to \$19.5 million in additional debt within the next twelve months.

### **Future and Proposed Legislation**

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

### **Continuing Compliance with Certain Covenants**

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

### **Marketability**

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

### **Approval of the Bonds**

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

## LEGAL MATTERS

### Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District secured by the proceeds of an ad valorem tax levied, without limit as to rate or amount, upon all taxable property in the District and, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the legal opinion of Bond Counsel to the effect that (1) the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and (2) are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

### Legal Review

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

The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

### No-Litigation Certificate

On the date of delivery of the Bonds to the Underwriter, the District will execute and deliver to the Underwriter a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date, of which the District has notice, to restrain or enjoin the issuance or delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner question the validity of the Bonds.

### No Material Adverse Change

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

## TAX MATTERS

### Opinion

Bond Counsel will render its opinion that, under existing law, and assuming compliance with certain covenants and the accuracy of certain representations, discussed below, interest on the Bonds is excludable from gross income for federal income tax purposes.

Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) establishes certain requirements that must be met at and subsequent to the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from federal gross income. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, yield and other restrictions on the investment of gross proceeds and other amounts, and the arbitrage rebate requirement that certain earnings on gross proceeds be rebated to the federal government. Failure to comply with these continuing requirements may cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of their issuance. The District has covenanted to comply with certain procedures and has made certain representations and certifications designed to assure compliance with these Code requirements. In rendering its opinion, Bond Counsel will rely on these covenants, on representations and certifications of the District relating to matters solely within its knowledge (which Bond Counsel has not independently verified) and will assume continuing compliance by the District.

The statutes, regulations, published rulings, and court decisions on which Bond Counsel has based its opinion are subject to change by Congress, as well as to subsequent judicial and administrative interpretation by courts and the Internal Revenue Service (the “Service”). No assurance can be given that such law or its interpretation will not change in a manner that would adversely affect the tax treatment of receipt or accrual of interest on, or the acquisition, ownership, market value, or disposition of, the Bonds. No ruling concerning the tax treatment of the Bonds has been sought from the Service, and the opinion of Bond Counsel is not binding on the Service. The Service has an ongoing audit program of tax-exempt obligations to determine whether, in the Service’s view, interest on such tax-exempt obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit were to be commenced, under current procedures, the Service would treat the District as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. In this regard, in responding to or defending an audit with respect to the Bonds, the District might have different or conflicting interests from those of the owners of the Bonds.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Bond Order subsequent to the issuance of the Bonds. The Bond Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds, the manner in which the proceeds of the Bonds are to be invested, the reporting of certain information to the United States Treasury and rebating any arbitrage profits to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from date of the issuance of the Bonds.

The opinions set forth above are based on existing law and Bond Counsel’s knowledge of relevant facts on the date of issuance of the Bonds. Such opinions are an expression of professional judgment and are not a guarantee of result. Except as stated above, Bond Counsel expresses no opinion regarding any other federal, state, or local tax consequences under current law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition, ownership, or disposition of, the Bonds. Further, Bond Counsel assumes no obligation to update or supplement its opinions to reflect any facts or circumstances that may come to its attention or any changes in law that may occur after the issuance date of the Bonds. In addition, Bond Counsel has not undertaken to advise in the future whether any events occurring after the issuance date of the Bonds may affect the tax-exempt status of interest on the Bonds.

## **Original Issue Discount**

The Bonds maturing February 1, 2035 through 2038, both inclusive (the “Discount Bonds”) may be offered and sold to the public at an “original issue discount” (“OID”). OID is the excess of the stated redemption price at maturity (the principal amount) over the “issue price” of such Bonds. In general, the issue price of Discount Bonds is the first price at which a substantial amount of Discount Bonds of the same maturity are sold to the public (other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers).

For federal income tax purposes, OID accrues to the owner of a Discount Bond over such Discount Bond’s period to maturity based on the constant interest rate method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). Bond Counsel is of the opinion that the portion of OID that accrues during the ownership period of a Discount Bond (i) is interest excludable from the owner’s gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as is other interest on the Bonds, and (ii) is added to the owner’s tax basis for purposes of determining gain or loss on the maturity, redemption, sale, or other disposition of that Discount Bond. OID may be treated as continuing to accrue even if payment of the Discount Bonds becomes doubtful in the event that the District encounters financial difficulties, and it is treated as interest earned by cash-basis owners, even though no cash corresponding to the accrual is received in the year of accrual. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond.

The federal income tax consequences of the acquisition, ownership, redemption, sale, or other disposition of Discount Bonds not purchased in the initial offering at the initial offering price may be determined according to rules different from those described above. Owners of such Discount Bonds should consult their tax advisors regarding the federal, state, and local income tax treatment and consequences of acquisition, ownership, redemption, sale, or other disposition of such Discount Bonds.

## **Original Issue Premium**

The Bonds maturing February 1, 2022 through 2030, both inclusive (the “Premium Bonds”) may be offered and sold to the public at prices greater than their stated redemption prices (the principal amount) payable at maturity (“Bond Premium”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

## **Collateral Tax Consequences Summary**

The following discussion is a brief discussion of certain collateral federal income tax consequences resulting from the purchase, ownership, or disposition of the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. This discussion is based on existing statutes, regulations, published rulings, and court decisions, all of which are subject to change or modification, retroactively. Prospective investors should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions,

property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. PROSPECTIVE 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, owners 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 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 owner 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 of 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.

### **Changes in Law**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent Owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

### **NOT Qualified Tax-Exempt Obligations for Financial Institutions**

The Board has NOT designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code.

## **CONTINUING DISCLOSURE OF INFORMATION**

The District, in the Bond Order, has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information



will be available free of charge from the Municipal Securities Rule Making Board (“MSRB”) via the Electronic Municipal Market Access (“EMMA”) system at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Annual Reports**

The financial information and operating data which will be provided is found in the annual audit report, within six months after the end of each of its fiscal years. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when and if the audit report becomes available.

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

### **Event Notices**

The District shall notify the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) the consummation of a merger, consolidation, or acquisition involving the District or the System or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of trustee, if material; (15) incurrence of a financial obligation of the District or 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 obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties.

For these purposes, any event described in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry or an order confirming a plan or reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

The term “Financial Obligation” shall mean, for purposes of the events in clauses (15) and (16), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing, or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12. The District intends the words used in clauses (15) and (16) and the definition of Financial Obligation to have the meanings ascribed to them in SEC

Release No. 34-83885 dated August 20, 2018 (the “2018 Release”) and any further written guidance provided by the SEC or its staff with respect to the amendments to Rule 15c2-12 effected by the 2018 Release.

### **Availability of Information From EMMA**

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

### **Limitations and Amendments**

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with United States Securities and Exchange Commission Rule 15c2-12 (the “Rule”), taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as any changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described under “Annual Reports,” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided. The District may also amend or repeal the agreement if the United States Securities and Exchange Commission amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgement that such provisions of the Rule are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

### **Compliance with Prior Undertakings**

The District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

## **VERIFICATION OF ACCURACY OF MATHEMATICAL CALCULATIONS**

The accuracy of the mathematical computations with respect to the adequacy of the funds available to provide for the payment of the Refunded Bonds will be verified by Ritz & Associates PA, a firm of independent certified public accountants. These computations will be based upon information and assumptions supplied by the Underwriter. Ritz & Associates PA has restricted its procedures to recalculating the computations provided by the Underwriter and has not evaluated or examined the assumptions or information used in the computations.

## **PREPARATION OF OFFICIAL STATEMENT**

### **General**

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

### **Consultants**

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

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

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

### **Updating the Official Statement**

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

**Certification of Official Statement**

The District, acting through the Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements and descriptions pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the Board has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading; however, the Board can give no assurance as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly certified and approved by the Board of Directors of Horizon Regional Municipal Utility District as of the date specified on the first page hereof.

/s/ Gordon (Bob) Jarvis  
President, Board of Directors  
Horizon Regional Municipal Utility District

ATTEST:

/s/ Mike Barton  
Assistant Secretary, Board of Directors  
Horizon Regional Municipal Utility District

**APPENDIX A—Financial Statements of the District**

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**

**EL PASO COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2020**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
Certified Public Accountants

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**

**EL PASO COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2020**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Horizon Regional Municipal Utility District  
El Paso County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Horizon Regional Municipal Utility District (the "District"), as of and for the year ended September 30, 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

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



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

April 28, 2021

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Management’s discussion and analysis of Horizon Regional Municipal Utility District’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended September 30, 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 Fund 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 the District’s assets, liabilities, and, if applicable, 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 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.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**FUND FINANCIAL STATEMENTS (Continued)**

Governmental funds are reported in each of the financial statements. The focus in the fund financial 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 Fund Statement of Revenues, Expenditures and Changes in the 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"). The budgetary comparison schedule is included as RSI for the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$36,223,943 as of September 30, 2020.

A portion of the District's net position reflects its net investment in capital assets (land, buildings and equipment as well as water and wastewater systems less any debt used to acquire those assets that is still outstanding).

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

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2020</u>	<u>2019</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 40,044,140	\$ 30,383,581	\$ 9,660,559
Capital Assets (Net of Accumulated Depreciation)	<u>87,283,239</u>	<u>86,437,927</u>	<u>845,312</u>
Total Assets	<u>\$ 127,327,379</u>	<u>\$ 116,821,508</u>	<u>\$ 10,505,871</u>
Deferred Outflows of Resources	<u>\$ 1,834,911</u>	<u>\$ 2,021,689</u>	<u>\$ (186,778)</u>
Long-Term Liabilities	\$ 85,162,628	\$ 76,592,041	\$ (8,570,587)
Other Liabilities	<u>7,678,724</u>	<u>6,993,619</u>	<u>(685,105)</u>
Total Liabilities	<u>\$ 92,841,352</u>	<u>\$ 83,585,660</u>	<u>\$ (9,255,692)</u>
Deferred Inflows of Resources	<u>\$ 96,995</u>	<u>\$ - 0 -</u>	<u>\$ (96,995)</u>
Net Position:			
Net Investment in Capital Assets	\$ 27,227,792	\$ 28,424,424	\$ (1,196,632)
Restricted	7,206,577	4,866,680	2,339,897
Unrestricted	<u>1,789,574</u>	<u>1,966,433</u>	<u>(176,859)</u>
Total Net Position	<u>\$ 36,223,943</u>	<u>\$ 35,257,537</u>	<u>\$ 966,406</u>

The following table provides a summary of the District's operations for the years ended September 30, 2020, and September 30, 2019.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2020</u>	<u>2019</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 8,246,323	\$ 7,302,883	\$ 943,440
Charges for Services	8,335,023	8,145,930	189,093
Sprayfield Golf Course Revenue	888,800	932,960	(44,160)
Other Revenues	<u>2,008,275</u>	<u>1,021,183</u>	<u>987,092</u>
Total Revenues	<u>\$ 19,478,421</u>	<u>\$ 17,402,956</u>	<u>\$ 2,075,465</u>
Expenses for Services	<u>18,512,015</u>	<u>18,201,205</u>	<u>(310,810)</u>
Change in Net Position	\$ 966,406	\$ (798,249)	\$ 1,764,655
Net Position, Beginning of Year	<u>35,257,537</u>	<u>36,055,786</u>	<u>(798,249)</u>
Net Position, End of Year	<u>\$ 36,223,943</u>	<u>\$ 35,257,537</u>	<u>\$ 966,406</u>

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's combined fund balances as of September 30, 2020, were \$36,107,728, an increase of \$9,042,804 from the prior year.

The General Fund fund balance decreased by \$188,773, primarily due to operating, capital outlay and debt expenditures exceeding property tax collections and service revenues.

The Debt Service Fund fund balance increased by \$580,790, primarily due to the timing difference between property tax collections and scheduled debt service payments.

The Capital Projects Fund fund balance increased by \$8,650,787, primarily due to bond proceeds received in the current fiscal year from the sale of Series 2020 and 2020A Bonds.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$822,655 more than budgeted revenues. Actual expenditures were \$1,224,407 more than budgeted expenditures. See the budget to actual comparison for additional analysis.

**CAPITAL ASSETS**

Capital assets as of September 30, 2020, total \$87,283,239 (net of accumulated depreciation) and include land, buildings and equipment as well as water and wastewater systems. Additional information on the District's capital assets can be found in Note 6 of this report.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 4,531,594	\$ 4,491,594	\$ 40,000
Construction in Progress	2,426,958	161,198	2,265,760
Capital Assets, Net of Accumulated Depreciation:			
Water System	44,558,798	46,061,406	(1,502,608)
Wastewater System	33,752,470	33,537,110	215,360
Buildings	1,722,711	1,782,036	(59,325)
Machinery, Equipment and Other	290,708	404,583	(113,875)
Total Net Capital Assets	\$ 87,283,239	\$ 86,437,927	\$ 845,312

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**LONG-TERM DEBT ACTIVITY**

At the end of the current fiscal year, the District had total long-term bond debt payable of \$88,509,985. The changes in the debt position of the District during the fiscal year ended September 30, 2020, are summarized as follows:

Bond Debt Payable, October 1, 2019	\$	79,494,985
Add: Bond Sale - Series 2020 and 2020A		11,730,000
Less: Bond Principal Paid		<u>2,715,000</u>
Bond Debt Payable, September 30, 2020	\$	<u>88,509,985</u>

The bonds are rated at the higher of the underlying rating or the insured rating. The Series 2012 Refunding Bonds, Series 2013 Bonds, Series 2014 Refunding Bonds, Series 2014 Bonds, Series 2015 Refunding Bonds, Series 2016 Refunding Bonds, Series 2017 Bonds, Series 2019 Bonds, Series 2020 Bonds and Series 2020A Bonds carry an underlying rating of “A3” from Moody’s Investor Service (“Moody’s”). The Series 2012 Revenue Refunding Bonds are not rated. The Series 2012 Revenue Refunding Bonds, Series 2012 Refunding Bonds and Series 2020A Bonds were not insured. The Series 2013 Bonds, Series 2014 Refunding Bonds, Series 2014 Bonds, Series 2016 Refunding Bonds, Series 2019 Bonds and Series 2020 Bonds have an insured rating of “AA” from S&P based on policy issued by Build America Mutual Assurance Company. The Series 2015 Refunding Bonds have an insured rating of “AA” from S&P based on a policy issued by Assured Guaranty Municipal Corporation. The Series 2017 Bonds carried an insured rating of “Baa2” from S&P based on a policy issued by National Public Finance Guarantee prior to the rating being withdrawn.

At the end of the current fiscal year, the District had total long-term capital leases and notes payable of \$568,496. The changes during the fiscal year ended September 30, 2020, are summarized as follows:

Capital Leases and Notes Payable, October 1, 2019	\$	813,954
Less: Capital Lease Principal Paid		141,920
Less: Note Principal Paid		<u>103,538</u>
Capital Leases and Notes Payable, September 30, 2020	\$	<u>568,496</u>

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Horizon Regional Municipal Utility District, 14100 Horizon Boulevard, Horizon City, TX 79928.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2020**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 624,090	\$ 366,203
Investments	308,209	5,940,387
Cash with Tax Assessor/Collector	3,537	1,683
Receivables:		
Property Taxes	372,747	632,347
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$60,000)	1,914,430	
Other	111,655	
Due from Other Funds	54,017	
Prepaid Costs	25,536	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 3,414,221</b>	<b>\$ 6,940,620</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges on Refunding Bonds	\$ - 0 -	\$ - 0 -
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 3,414,221</b>	<b>\$ 6,940,620</b>

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>
\$ 2,355,389	\$ 3,345,682	\$	\$ 3,345,682
26,545,275	32,793,871		32,793,871
	5,220		5,220
	1,005,094		1,005,094
		770,708	770,708
	1,914,430		1,914,430
	111,655		111,655
	54,017	(54,017)	
	25,536	71,944	97,480
		4,531,594	4,531,594
		2,426,958	2,426,958
		80,324,687	80,324,687
<u>\$ 28,900,664</u>	<u>\$ 39,255,505</u>	<u>\$ 88,071,874</u>	<u>\$ 127,327,379</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 1,834,911</u>	<u>\$ 1,834,911</u>
<u>\$ 28,900,664</u>	<u>\$ 39,255,505</u>	<u>\$ 89,906,785</u>	<u>\$ 129,162,290</u>

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



**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2020**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 718,966	\$
Accrued Interest Payable		
Due to Developers	369,962	
Due to Other Funds		456
Security Deposits	510,668	
Interest Payable on Compound Interest Bonds		
Long-Term Liabilities:		
Capital Leases Payable Within One Year		
Capital Leases Payable After One Year		
Notes Payable Within One Year		
Bonds Payable Within One Year		
Bonds Payable After One Year		
<b>TOTAL LIABILITIES</b>	<b>\$ 1,599,596</b>	<b>\$ 456</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 372,747	\$ 632,347
Golf Course Credits	17,223	
Golf Course Merchandise	79,772	
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 469,742</b>	<b>\$ 632,347</b>
<b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 25,536	\$
Restricted for Authorized Construction		
Restricted for Debt Service		6,307,817
Unassigned	1,319,347	
<b>TOTAL FUND BALANCES</b>	<b>\$ 1,344,883</b>	<b>\$ 6,307,817</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 3,414,221</b>	<b>\$ 6,940,620</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 392,075	\$ 1,111,041	\$	\$ 1,111,041
		504,295	504,295
	369,962		369,962
53,561	54,017	(54,017)	
	510,668		510,668
		1,928,242	1,928,242
		147,582	147,582
		133,980	133,980
		286,934	286,934
		2,820,000	2,820,000
		85,028,648	85,028,648
<u>\$ 445,636</u>	<u>\$ 2,045,688</u>	<u>\$ 90,795,664</u>	<u>\$ 92,841,352</u>
\$	\$ 1,005,094	\$ (1,005,094)	\$
	17,223		17,223
	79,772		79,772
<u>\$ - 0 -</u>	<u>\$ 1,102,089</u>	<u>\$ (1,005,094)</u>	<u>\$ 96,995</u>
\$	\$ 25,536	\$ (25,536)	\$
28,455,028	28,455,028	(28,455,028)	
	6,307,817	(6,307,817)	
	1,319,347	(1,319,347)	
<u>\$ 28,455,028</u>	<u>\$ 36,107,728</u>	<u>\$ (36,107,728)</u>	<u>\$ - 0 -</u>
<u>\$ 28,900,664</u>	<u>\$ 39,255,505</u>		
		\$ 27,227,792	\$ 27,227,792
		7,206,577	7,206,577
		1,789,574	1,789,574
		<u>\$ 36,223,943</u>	<u>\$ 36,223,943</u>

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

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020**

Total Fund Balances - Governmental Funds \$ 36,107,728

Amounts reported for governmental activities in the Statement of Net Position are different because:

Bond insurance premiums paid at closing are amortized over the term of the refunding bonds. 71,944

Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 87,283,239

The difference between the net carrying amount of the refunded bonds and the requisition price is recorded as a deferred outflow of resources in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 1,834,911

Deferred inflows of resources related to property tax revenues and penalty and interest receivables on delinquent taxes for the 2019 and prior tax levies became part of recognized revenues in the governmental activities of the District. 1,775,802

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:

Accrued Interest Payable	\$ (504,295)	
Interest Payable on Compound Interest Bonds	(1,928,242)	
Capital Leases Payable Within One Year	(147,582)	
Capital Leases Payable After One Year	(133,980)	
Notes Payable Within One Year	(286,934)	
Bonds Payable Within One Year	(2,820,000)	
Bonds Payable After One Year	<u>(85,028,648)</u>	<u>(90,849,681)</u>

Total Net Position - Governmental Activities \$ 36,223,943

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

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**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 2,796,044	\$ 5,396,626
Water Service	3,463,204	
Wastewater Service	2,098,415	
Garbage Service Revenues	2,568,604	
Sprayfield Golf Course Revenue	888,800	
Penalty and Interest	179,296	80,509
Tap Connection and Inspection Fees	23,364	
Investment Revenues	11,231	74,591
Sales of Assets	780,998	
Miscellaneous Revenues	297,499	
<b>TOTAL REVENUES</b>	<b>\$ 13,107,455</b>	<b>\$ 5,551,726</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 364,591	\$ 6,500
Contracted Services	5,169,197	3,450
Utilities	1,512,665	
Repairs and Maintenance	3,344,690	
Effluent Sprayfield	583,966	
Depreciation		
Other	1,158,161	
Capital Outlay	169,018	
Debt Service:		
Capital Lease Principal	141,920	
Capital Lease Interest	23,465	
Note Principal	103,538	
Note Interest	27,496	
Bond Principal	480,000	2,235,000
Bond Interest	130,500	2,748,007
Bond Issuance Costs		
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 13,209,207</b>	<b>\$ 4,992,957</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<b>\$ (101,752)</b>	<b>\$ 558,769</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In (Out)	\$ (87,021)	\$ 22,021
Long-Term Debt Issued		
Bond Discount		
Loan Proceeds		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (87,021)</b>	<b>\$ 22,021</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (188,773)</b>	<b>\$ 580,790</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - OCTOBER 1, 2019</b>	<b>1,533,656</b>	<b>5,727,027</b>
<b>FUND BALANCES/NET POSITION - SEPTEMBER 30, 2020</b>	<b>\$ 1,344,883</b>	<b>\$ 6,307,817</b>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 8,192,670	\$ 53,653	\$ 8,246,323
	3,463,204		3,463,204
	2,098,415		2,098,415
	2,568,604		2,568,604
	888,800		888,800
	259,805	(78,369)	181,436
	23,364		23,364
237,076	322,898		322,898
	780,998		780,998
	297,499	606,880	904,379
<u>\$ 237,076</u>	<u>\$ 18,896,257</u>	<u>\$ 582,164</u>	<u>\$ 19,478,421</u>
\$	\$ 371,091	\$	\$ 371,091
	5,172,647		5,172,647
	1,512,665		1,512,665
	3,344,690		3,344,690
	583,966		583,966
		2,673,411	2,673,411
4,317	1,162,478		1,162,478
3,349,705	3,518,723	(3,518,723)	
	141,920	(141,920)	
	23,465		23,465
	103,538	(103,538)	
	27,496		27,496
	2,715,000	(2,715,000)	
	2,878,507	328,932	3,207,439
432,667	432,667		432,667
<u>\$ 3,786,689</u>	<u>\$ 21,988,853</u>	<u>\$ (3,476,838)</u>	<u>\$ 18,512,015</u>
<u>\$ (3,549,613)</u>	<u>\$ (3,092,596)</u>	<u>\$ 4,059,002</u>	<u>\$ 966,406</u>
\$ 65,000	\$	\$	\$
11,730,000	11,730,000	(11,730,000)	
(201,480)	(201,480)	201,480	
606,880	606,880	(606,880)	
<u>\$ 12,200,400</u>	<u>\$ 12,135,400</u>	<u>\$ (12,135,400)</u>	<u>\$ - 0 -</u>
\$ 8,650,787	\$ 9,042,804	\$ (9,042,804)	\$
		966,406	966,406
19,804,241	27,064,924	8,192,613	35,257,537
<u>\$ 28,455,028</u>	<u>\$ 36,107,728</u>	<u>\$ 116,215</u>	<u>\$ 36,223,943</u>

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

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Net Change in Fund Balances - Governmental Funds	\$ 9,042,804
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.	53,653
Governmental funds report penalty and interest revenues on delinquent property taxes when collected. However, in the government-wide financial statements, revenues are recorded when penalty and interest are assessed.	(78,369)
Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(2,673,411)
Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities.	3,518,723
Governmental funds report bond premiums and discounts as other financing sources and uses in the year paid. However, in the government-wide financial statements, bond premiums and discounts are amortized over the life of the bonds and the current year amortized portion is recorded in interest expense.	201,480
Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected.	2,960,458
Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the debt through fiscal year-end.	(328,932)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	<u>(11,730,000)</u>
Change in Net Position - Governmental Activities	<u>\$ 966,406</u>

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

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 1. CREATION OF DISTRICT**

Horizon Regional Municipal Utility District (the “District”) was originally a conservation and reclamation district created on August 8, 1961 by the 57 Legislature of the State of Texas pursuant to Article XVI, Section 59 of the Texas Constitution. On June 12, 1989, the District was converted to a municipal utility district and currently operates under Chapters 49 and 54 of the Texas Water Code. On September 4, 2003, the Texas Commission on Environmental Quality approved a change in the District’s name from the El Paso County Water Authority to Horizon Regional Municipal Utility District.

The District is empowered to purchase, construct, operate, acquire, own, and maintain all water and wastewater facilities and improvements and improvements to control and divert storm water. The District is additionally empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

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:



**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 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 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 revenues and expenses in the government-wide Statement of Activities.

Fund Financial Statements

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

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

Governmental Funds

The District has three governmental funds and considers these funds to be major funds.

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 revenues 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 revenues 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.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 an expenditure 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 of \$5,000 or more and a useful life of at least 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	20-40
Water System	7-50
Wastewater System	5-50
Machinery and Equipment	5-7
Other	3-40

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 compared to the actual amounts of revenues and expenditures for the current year.

Pensions

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

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 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, liabilities, and deferred inflows and outflows of resources 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 Governmental Funds Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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

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

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

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

*Unassigned*: all other spendable amounts in the General Fund.

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

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 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**

	Refunding Series 2012	Revenue Refunding Series 2012**
Amount Outstanding - September 30, 2020	\$ 5,325,000	\$ 3,385,000
Interest Rates	4.00%	3.60%
Maturity Dates – Beginning/Ending	February 1, 2021/2025	March 1, 2021/2026
Interest Payment Dates	February 1/August 1	March 1/September 1
Callable Dates	August 1, 2020*	N/A
	Series 2013	Refunding Series 2014
Amount Outstanding - September 30, 2020	\$ 8,195,000	\$ 7,845,000
Interest Rates	4.25% - 5.125%	2.25% - 4.00%
Maturity Dates – Beginning/Ending	February 1, 2035/2038	February 1, 2021/2032
Interest Payment Dates	February 1/August 1	February 1/August 1
Callable Dates	August 1, 2021*	August 1, 2022*

\* On any date thereafter, in whole or in part, at the option of the District, at par plus accrued interest to the date of redemption. The Series 2013 term bonds maturing February 1, 2038 are subject to mandatory redemption beginning February 1, 2037. The Series 2014 Refunding term bonds maturing February 1, 2026 are subject to mandatory redemption beginning February 1, 2023.

\*\* Direct Placement Bonds

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 3. LONG-TERM DEBT (Continued)**

	Series 2014	Refunding Series 2015
Amount Outstanding - September 30, 2020	\$ 1,975,000	\$ 8,485,000
Interest Rates	3.75% - 4.00%	3.00% - 4.00%
Maturity Dates – Beginning/Ending	February 1, 2035/2038	February 1, 2021/2032
Interest Payment Dates	February 1/August 1	February 1/August 1
Callable Dates	August 1, 2022*	February 1, 2023*
	Series 2016 Refunding	
	Current Interest Bonds	Compound Interest Bonds
Amount Outstanding - September 30, 2020	\$ 12,935,000	\$ 99,985
Interest Rates	2.00% - 3.25%	4.05%
Maturity Dates – Beginning/Ending	February 1, 2021/2033	February 1, 2034
Interest Payment Dates	February 1/August 1	At Maturity
Callable Dates	February 1, 2024*	Non-Callable**
	Series 2017	Series 2019
Amount Outstanding - September 30, 2020	\$ 9,395,000	\$ 19,140,000
Interest Rates	2.50% - 3.75%	3.00% - 5.00%
Maturity Dates – Beginning/Ending	February 1, 2021/2039	February 1, 2021/2044
Interest Payment Dates	February 1/August 1	February 1/August 1
Callable Dates	February 1, 2024*	February 1, 2026*

\* On any date thereafter, in whole or in part, at the option of the District, at par plus accrued interest to the date of redemption.

\*\* The Series 2016 Compound Interest Bonds are non-callable. The par value of these bonds is \$99,985 and the maturity value is \$3,485,000. Interest on these bonds will be paid at maturity. As of September 30, 2020, the accreted value of these bonds is approximately \$2,028,227. Accrued interest of \$1,928,242 has been recorded as a liability in the Statement of Net Position.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 3. LONG-TERM DEBT (Continued)**

	<u>Series 2020</u>	<u>Series 2020A</u>
Amount Outstanding - September 30, 2020	\$ 11,110,000	\$ 620,000
Interest Rates	3.00%	0%
Maturity Dates – Beginning/Ending	February 1, 2023/2045	February 1, 2021/2042
Interest Payment Dates	February 1/August 1	N/A
Callable Dates	February 1, 2026*	Non-Callable

\* On any date thereafter, in whole or in part, at the option of the District, at par plus accrued interest to the date of redemption. Series 2020 term bonds maturing February 1, 2026, February 1, 2030, February 1, 2034 and February 1, 2045 are subject to mandatory redemption beginning February 1, 2023, February 1, 2027, February 1, 2031 and February 1, 2035, Respectively.

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2020:

	<u>October 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30, 2020</u>
Bonds Payable-General Bonds	\$ 75,629,985	\$ 11,730,000	\$ 2,235,000	\$ 85,124,985
Bonds Payable-Direct Placement Bond	3,865,000		480,000	3,385,000
Unamortized Discounts	(869,617)	(201,480)	(57,612)	(1,013,485)
Unamortized Premiums	400,111		47,963	352,148
Bonds Payable, Net	<u>\$ 79,025,479</u>	<u>\$ 11,528,520</u>	<u>\$ 2,705,351</u>	<u>\$ 87,848,648</u>
			Amount Due Within One Year	\$ 2,820,000
			Amount Due After One Year	<u>85,028,648</u>
			Bonds Payable, Net	<u>\$ 87,848,648</u>

At September 30, 2020, the District had authorized but unissued original bonds in the amount of \$22,325,000 and \$21,060,000 in refunding bonds.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 3. LONG-TERM DEBT (Continued)**

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

Fiscal Year	Principal	Interest	Total
2021	\$ 2,820,000	\$ 3,041,704	\$ 5,861,704
2022	2,915,000	2,949,873	5,864,873
2023	3,020,000	2,854,322	5,874,322
2024	3,130,000	2,752,008	5,882,008
2025	3,250,000	2,643,539	5,893,539
2026-2030	15,210,000	11,729,129	26,939,129
2031-2035	13,794,985	12,483,107	26,278,092
2036-2040	20,320,000	5,956,635	26,276,635
2041-2045	24,050,000	2,030,897	26,080,897
	<u>\$ 88,509,985</u>	<u>\$ 46,441,214</u>	<u>\$ 134,951,199</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. The Series 2012 Revenue Refunding Bonds are payable from and secured by a lien and pledge of the net revenues to be received from the operation of the District’s waterworks and sewer system.

During the year ended September 30, 2020, the District levied an ad valorem debt service tax at the rate of \$0.3789 per \$100 of assessed valuation, which resulted in a tax levy of \$5,445,233 on the adjusted taxable valuation of \$1,434,613,058 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.

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.

Defined Areas

Pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code, as amended, the District is authorized to define areas or designate certain property of the District to pay for improvements, facilities or services that primarily benefit that area. On July 26, 2018, the District approved the creation of defined areas encompassing approximately 119.42 acres (the Ravena LLC Defined Area) and 266.012 acres (the Rancho Desierto Bello Defined Area) (the “Defined Areas”).



**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 3. LONG-TERM DEBT (Continued)**

Defined Areas (Continued)

At an election held within the Defined Area of the District on November 6, 2018, the voters authorized \$5,560,000 principal amount of bonds to finance water, wastewater and drainage improvements and \$8,340,000 in refunding bonds within the Ravena LLC Defined Area and authorized \$7,500,000 principal amount of bonds to finance water, wastewater and drainage improvements and \$11,250,000 in refunding bonds within the Rancho Desierto Bello Defined Area. Any bonds issued for the Defined Area shall be payable solely from a tax levied within the boundaries of the Defined Area and not on any other part of the District.

**NOTE 4. SIGNIFICANT BOND ORDERS AND LEGAL REQUIREMENTS**

The bond orders state that any profits realized from or interest accruing on 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.

The bond orders state that the District is required to provide continuing disclosure of certain general financial information and operating data to the Municipal Securities Rulemaking Board via the Electronic Municipal Market Access (“EMMA”) system. This information is of the general type included in the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The bond orders state that the District should 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 each 5<sup>th</sup> year anniversary of each issue.

In accordance with the Series 2019 Bond Order, the District deposited bond proceeds of \$1,390,788 into the Debt Service Fund to be used for the payment of bond interest during the construction period. During the current fiscal year, Series 2019 bond interest payments totaled \$693,894 leaving a September 30, 2020 balance of \$484,412.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**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 \$3,345,682 and the bank balance was \$3,601,506. The District was not subject to custodial credit risk at year-end.

The carrying value of the deposits is included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2020, as listed below:

	Cash
GENERAL FUND	\$ 624,090
DEBT SERVICE FUND	366,203
CAPITAL PROJECTS FUND	2,355,389
TOTAL DEPOSITS	\$ 3,345,682

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.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

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

The District invests in LOGIC, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. FirstSouthwest and JPMorgan Chase manage the daily operations of the pool under a contract with the Comptroller. LOGIC measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in LOGIC at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from LOGIC.

As of September 30, 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>		
LOGIC	\$ 308,209	\$ 308,209
<u>DEBT SERVICE FUND</u>		
LOGIC	5,940,387	5,940,387
<u>CAPITAL PROJECTS FUND</u>		
LOGIC	26,545,275	26,545,275
TOTAL INVESTMENTS	<u>\$ 32,793,871</u>	<u>\$ 32,793,871</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2020, the District's investment in LOGIC was rated AAA 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 considers the investment in LOGIC to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there is a significant change in value.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Restrictions

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

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

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2020:

	October 1, 2019	Increases	Decreases	September 30, 2020
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 4,491,594	\$ 40,000	\$	\$ 4,531,594
Construction in Progress	161,198	3,478,723	1,212,963	2,426,958
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 4,652,792</b>	<b>\$ 3,518,723</b>	<b>\$ 1,212,963</b>	<b>\$ 6,958,552</b>
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 63,975,457	\$	\$	\$ 63,975,457
Wastewater System	44,706,822	1,189,589		45,896,411
Buildings	2,418,853			2,418,853
Machinery, Equipment and Other	2,068,518	23,374		2,091,892
<b>Total Capital Assets Subject to Depreciation</b>	<b>\$ 113,169,650</b>	<b>\$ 1,212,963</b>	<b>\$ - 0 -</b>	<b>\$ 114,382,613</b>
<b>Accumulated Depreciation</b>				
Water System	\$ 17,914,051	\$ 1,502,608	\$	\$ 19,416,659
Wastewater System	11,169,712	974,229		12,143,941
Buildings	636,817	59,325		696,142
Machinery, Equipment and Other	1,663,935	137,249		1,801,184
<b>Total Accumulated Depreciation</b>	<b>\$ 31,384,515</b>	<b>\$ 2,673,411</b>	<b>\$ - 0 -</b>	<b>\$ 34,057,926</b>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 81,785,135</b>	<b>\$ (1,460,448)</b>	<b>\$ - 0 -</b>	<b>\$ 80,324,687</b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 86,437,927</b>	<b>\$ 2,058,275</b>	<b>\$ 1,212,963</b>	<b>\$ 87,283,239</b>

The District has financed drainage facilities which have been conveyed to other entities for maintenance.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 7. MAINTENANCE TAX**

On July 14, 1970, the voters of the District approved the levy and collection of a maintenance tax 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. During the current fiscal year, the District levied an ad valorem maintenance tax at the rate of \$0.196374 per \$100 of assessed valuation, which resulted in a tax levy of \$2,822,122 on the adjusted taxable valuation of \$1,434,613,058 for the 2019 tax year.

Defined Areas

Pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code, as amended, the District is authorized to define areas or designate certain property of the District to pay for improvements, facilities or services that primarily benefit that area. On July 26, 2018, the District approved the creation of defined areas encompassing approximately 119.42 acres and 266.012 acres (the “Defined Areas”) (See Note 3).

At an election held within the Defined Area of the District on November 6, 2018 the voters authorized a maximum maintenance tax rate of \$1.00 per \$100 of assessed valuation for property within the Defined Areas, which ad valorem taxes shall be in addition to other taxes imposed by the District on the same area.

**NOTE 8. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District carries commercial insurance for its director bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (“TML”) to provide property, general liability, automobile liability, cyber liability, boiler and machinery, and errors and omissions. 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 changes in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 9. PROFESSIONAL SERVICE CONTRACT**

Effective January 9, 2013, the District entered into a professional service contract with Severn Trent Environmental Services, Inc. (“Severn Trent”), now known as Inframark LLC (“Inframark”). The terms of the contract call for Inframark to fully assume the management, operations, maintenance and repair of the District. The initial term was for 5 years.

On February 22, 2018, the District entered into a new contract with Inframark with a commencement date of March 1, 2018. The District will be charged a base monthly fee plus compensation for authorized additional services. Annual adjustments to the base fee will be made according to changes to the Consumer Price Index. The contract shall remain in full force and effect for 5 years from the commencement date unless terminated for cause provided for in the agreement. Thereafter, the contract will automatically renew for successive 1-year periods unless cancelled in writing by either party at least 60 days prior to the expiration of the then current term.

**NOTE 10. CAPITAL LEASES**

On December 19, 2016, the District entered in a Master Lease-Purchase Agreement with John Deere Financial in the amount of \$423,500 to fund the purchase of turf maintenance equipment. The maintenance equipment is recorded as an asset of the District and is being depreciated over the term of the lease. \$84,700 has been recorded as part of depreciation expense in the current fiscal year. Lease payments and related interest of \$7,636 are due monthly beginning January 1, 2017 and ending December 1, 2021. The incremental borrowing rate is 3.25%.

On March 23, 2018, the District entered in a Lease Purchase Agreement with John Deere Financial in the amount of \$33,928 to fund the purchase of a Progator 2030 and HD200 Sprayer. The equipment is recorded as an asset of the District and is being depreciated over the term of the lease. \$6,785 has been recorded as part of depreciation expense in the current fiscal year. Lease payments and related interest of \$634 are due monthly beginning April 1, 2018 and ending April 1, 2023. The incremental borrowing rate is 4.75%.

On May 30, 2018, the District entered in a Municipal Lease Purchase Agreement with Western Equipment Finance in the amount of \$25,000 to fund the purchase of an Express Dual 3000DX Reel Grinder and an Angle Master 2000DX Bed Knife Grinder. The equipment is recorded as an asset of the District and is being depreciated over the term of the lease. \$5,000 has been recorded as part of depreciation expense in the current fiscal year. Lease payments and related interest of \$498 are due monthly beginning May 30, 2018 and ending May 5, 2023. The incremental borrowing rate is 7.25%.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 10. CAPITAL LEASES (Continued)**

On September 12, 2018, the District entered in a Municipal Lease Purchase Agreement with Western Equipment Finance in the amount of \$14,000 to fund the purchase of a Toro 5510 Fairway Unit Mower. The equipment is recorded as an asset of the District and is being depreciated over the term of the lease. \$3,500 has been recorded as part of depreciation expense in the current fiscal year. Lease payments and related interest of \$341 are due monthly beginning September 11, 2018 and ending August 5, 2022. The incremental borrowing rate is 7.95%.

On August 13, 2018, the District entered into two Lease Purchase Agreements with Yamaha Motor Finance Corporation, U.S.A. in the amounts of \$200,070 and \$13,339, respectively. The District agreed for the financing to fund the purchase of golf carts. The golf carts are recorded as assets of the District and are being depreciated over the term of the lease. Depreciation expense in the current year totaled \$42,682. Lease payments and related interest of \$3,724 and \$248, respectively, are due monthly beginning November 15, 2018 and ending October 15, 2023. The incremental borrowing rate is 4.60%.

The following is a schedule of future minimum lease payments under the capital leases as of September 30, 2020:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 147,582	\$ 9,395	\$ 156,977
2022	76,190	4,427	80,617
2023	53,833	1,481	55,314
2024	<u>3,957</u>	<u>15</u>	<u>3,972</u>
	<u>\$ 281,562</u>	<u>\$ 15,318</u>	<u>\$ 296,880</u>

The following is a summary of transactions regarding capital leases payable for the year ended September 30, 2020:

Capital Leases Payable, October 1, 2019	\$ 423,482
Less: Principal Paid	<u>141,920</u>
Capital Leases Payable, September 30, 2020	<u>\$ 281,562</u>
Capital Leases Payable:	
Due Within One Year	\$ 147,582
Due After One Year	<u>133,980</u>
Capital Leases Payable, September 30, 2020	<u>\$ 281,562</u>

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 11. NOTES PAYABLE**

On February 26, 2013, the District entered into a note with MPS Revokable Trust in the amount of \$900,000 with an interest rate of 8.0%. Monthly note payments are due the first day of each month in the amount of \$10,919 through February 1, 2016, with a final payment of \$711,506 due March 1, 2016. The note has been renewed on February 25, 2016, February 23, 2017, February 22, 2018, February 28, 2019 and February 27, 2020. The District made total payments in the amount of \$131,034, of which \$103,538 was principal. The remaining principal balance of \$286,934 is due in the next fiscal year.

The following is a schedule of future note payments as of September 30, 2020:

Fiscal Year	Principal	Interest	Total
2021	<u>\$ 286,934</u>	<u>\$ 22,955</u>	<u>\$ 309,889</u>

The following is a summary of transactions regarding notes payable for the year ended September 30, 2020:

Notes Payable, October 1, 2019	\$ 390,472
Less: Principal Paid	<u>103,538</u>
Notes Payable, September 30, 2020	<u>\$ 286,934</u>
Notes Payable:	
Due Within One Year	<u>\$ 286,934</u>

**NOTE 12. INTERFUND BALANCES AND TRANSFER**

At September 30, 2020, the Capital Projects Fund owed the General Fund \$53,561 for excess bond proceeds and surplus funds received in excess of current year expenditures. The Debt Service Fund owes the General Fund \$456 for paying agent fees.

During the current fiscal year, the District transferred \$22,021 from the General Fund to the Debt Service Fund for the pro-rata share of debt related to property owner's de-annexation. The General Fund also transferred \$65,000 to the Capital Projects Fund to fund certain capital expenditures.



**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 13. CHANGE OF PROJECT SCOPE**

On September 21, 2020, the Commission approved the application for change in project scope to reallocate \$2,500,000 in construction funds originally designated for reverse osmosis concentrate management system to be moved to funding the engineering studies necessary for determining whether an injection well can be used for the concentrate disposal.

**NOTE 14. BOND SALES**

On April 23, 2020, the District issued its \$11,110,000 Unlimited Tax Bonds, Series 2020. The proceeds will be used to pay costs associated with the Reverse Osmosis Concentrate Management System, two (2) 1,000 gpm each Water Wells and Portable Water Booster Pump Station. Additional proceeds were used to pay issuance costs of the bonds.

On June 24, 2020, the District issued its \$1,226,880 Unlimited Tax Bonds, Series 2020A, of which \$606,880 of the principal is forgiven. See Note 15. The proceeds will be used to pay costs associated with the Horizon View Estates Wastewater Collection System. As of September 30, 2020, these funds remain in escrow. Additional proceeds were used to pay issuance costs of the bonds.

**NOTE 15. PRINCIPAL FORGIVENESS AGREEMENT**

On June 16, 2020, the District entered into a principal forgiveness agreement with the Texas Water Development Board (the "TWDB"). The District submitted an application to the TWDB for financial assistance in the amount of \$1,226,880 from the Clean Water State Revolving Fund to finance the planning and design of certain system improvements for the project. The TWDB determined that the District qualifies for principal forgiveness in the amount of \$606,880. These funds will remain in escrow until applicable requirements and conditions are met per this agreement.

**NOTE 16. SUBSEQUENT EVENT**

Subsequent to year-end, at an election held withing the Defined Area of the District on November 3, 2020, the voters of the District approved the creation of a defined area of 779.121 acres within the District. They also authorized \$19,100,000 principal amount of bonds to finance water, wastewater and drainage improvements, \$19,100,000 in refunding bonds and a maximum maintenance tax of \$0.2250 per \$100 valuaciotn of taxable property within the Defined Area. Any bonds issued for the Defined Area shall be payable solely from a tax levied within the boundaries of the Defined Area and not on any other part of the District.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2020**

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 2,650,000	\$ 2,796,044	\$ 146,044
Water Service	3,600,000	3,642,500	42,500
Wastewater Service	2,300,000	2,098,415	(201,585)
Garbage Service Revenues	2,615,300	2,568,604	(46,696)
Sprayfield Golf Course Revenue	775,000	888,800	113,800
Tap Connection and Inspection Fees	27,000	23,364	(3,636)
Investment Revenues	5,000	11,231	6,231
Sales of Assets		780,998	780,998
Miscellaneous Revenues	312,500	297,499	(15,001)
<b>TOTAL REVENUES</b>	<u>\$ 12,284,800</u>	<u>\$ 13,107,455</u>	<u>\$ 822,655</u>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 281,000	\$ 364,591	\$ (83,591)
Contracted Services	4,863,000	5,169,197	(306,197)
Utilities	1,500,000	1,512,665	(12,665)
Repairs and Maintenance	2,650,000	3,344,690	(694,690)
Effluent Sprayfield	882,000	583,966	298,034
Other	909,000	1,158,161	(249,161)
Capital Outlay	160,380	169,018	(8,638)
Debt Service:			
Capital Lease Principal and Interest	132,000	165,385	(33,385)
Note Principal and Interest		131,034	(131,034)
Bond Principal and Interest	607,420	610,500	(3,080)
<b>TOTAL EXPENDITURES</b>	<u>\$ 11,984,800</u>	<u>\$ 13,209,207</u>	<u>\$ (1,224,407)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 300,000</u>	<u>\$ (101,752)</u>	<u>\$ (401,752)</u>
<b>OTHER FINANCING SOURCES(USES)</b>			
Transfers In (Out)	<u>\$ - 0 -</u>	<u>\$ (87,021)</u>	<u>\$ (87,021)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 300,000	\$ (188,773)	\$ (488,773)
<b>FUND BALANCE - OCTOBER 1, 2019</b>	<u>1,533,656</u>	<u>1,533,656</u>	
<b>FUND BALANCE - SEPTEMBER 30, 2020</b>	<u><u>\$ 1,833,656</u></u>	<u><u>\$ 1,344,883</u></u>	<u><u>\$ (488,773)</u></u>

See accompanying independent auditor's report.

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**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**

**SUPPLEMENTARY INFORMATION REQUIRED BY THE**

**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**SEPTEMBER 30, 2020**

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

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

**2. RETAIL SERVICE PROVIDERS**

**a. RETAIL RATES FOR A 3/4" METER (OR EQUIVALENT):**

Based on the rate order effective June 1, 2019.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 11.00	3,000	N	\$ 1.58 \$ 1.98 \$ 2.47 \$ 3.09 \$ 3.86 \$ 4.82 \$ 6.03 \$ 7.53 \$ 9.42 \$ 11.77	3,001 to 6,000 6,001 to 10,000 10,001 to 15,000 15,001 to 25,000 25,001 to 50,000 50,001 to 100,000 100,001 to 250,000 250,001 to 400,000 400,001 to 1,000,000 Over 1,000,000
WASTEWATER:	\$ 14.68	3,000	N	\$ 1.05 \$ 1.31 \$ 1.64 \$ 2.05 \$ 2.56 \$ 3.20 \$ 4.01 \$ 5.01 \$ 6.26 \$ 7.82	3,001 to 6,000 6,001 to 10,000 10,001 to 15,000 15,001 to 25,000 25,001 to 50,000 50,001 to 100,000 100,001 to 250,000 250,001 to 400,000 400,001 to 1,000,000 Over 1,000,000
BASE SERVICE:	\$ 20.50		Y		

District employs winter averaging for wastewater usage?        X  
Yes No

Total charges per 10,000 gallons usage: Water: \$23.66 Wastewater: \$23.07 Base Charge: \$20.50 Total: \$67.23

See accompanying independent auditor's report.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**SCHEDULE OF SERVICES AND RATES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 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"	11,458	11,020	x 1.0	11,020
1"	80	76	x 2.5	190
1½"	40	38	x 5.0	190
2"	62	58	x 8.0	464
3"	14	14	x 15.0	210
4"	19	19	x 25.0	475
6"	1	1	x 50.0	50
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>11,674</u>	<u>11,226</u>		<u>12,599</u>
Total Wastewater Connections	<u>8,809</u>	<u>8,809</u>	x 1.0	<u>8,809</u>

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

Gallons pumped into system:	1,420,816,000	Water Accountability Ratio: 78.6% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	1,116,497,000	

See accompanying independent auditor's report.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 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 or Counties in which District is located:

El Paso 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's in which District is located:

City of El Paso, Texas; City of Socorro, Texas; and Town of Horizon City, Texas

Are Board Members appointed by an office outside the District?

Yes  No

See accompanying independent auditor's report.



**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

PROFESSIONAL FEES:	
Auditing	\$ 28,625
Engineering	147,283
Legal	138,226
Delinquent Tax Attorney	<u>50,457</u>
TOTAL PROFESSIONAL FEES	<u>\$ 364,591</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 94,505
Bookkeeping	84,260
Management and Operations	2,431,310
Tax Assessor/Collector	<u>81,264</u>
TOTAL CONTRACTED SERVICES	<u>\$ 2,691,339</u>
UTILITIES	<u>\$ 1,512,665</u>
REPAIRS AND MAINTENANCE	<u>\$ 3,344,690</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 31,350
Dues	4,979
Insurance	47,260
Legal Notices	549
Office Supplies and Postage	8,086
Travel and Meetings	190
Other	<u>46,006</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 138,420</u>

See accompanying independent auditor's report.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

CAPITAL OUTLAY	\$ <u>169,018</u>
SOLID WASTE DISPOSAL	\$ <u>2,477,858</u>
EFFLUENT SPRAYFIELD	\$ <u>583,966</u>
OTHER EXPENDITURES:	
Chemicals	\$ 590,552
Fuel, Gasoline and Oil	37,677
Laboratory Fees	51,928
Permit Fees	136,255
Regulatory Assessment	26,232
Sludge Hauling	106,955
Other	<u>70,142</u>
TOTAL OTHER EXPENDITURES	\$ <u>1,019,741</u>
DEBT SERVICE:	
Bond Principal	\$ 480,000
Bond Interest	130,500
Capital Lease Principal	141,920
Capital Lease Interest	23,465
Note Principal	103,538
Note Interest	<u>27,496</u>
TOTAL DEBT SERVICE	\$ <u>906,919</u>
TOTAL EXPENDITURES	\$ <u>13,209,207</u>

See accompanying independent auditor's report.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**INVESTMENTS**  
**SEPTEMBER 30, 2020**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
LOGIC	XXXX4010	Varies	Daily	\$ 308,209	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
LOGIC	XXXX4020	Varies	Daily	\$ 5,940,387	\$ - 0 -
<u>CAPITAL PROJECTS FUND</u>					
LOGIC	XXXX4050	Various	Daily	\$ 26,545,275	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 32,793,871</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2019	\$	353,572		\$ 597,869
Adjustments to Beginning				
Balance		<u>(6,903)</u>	\$ 346,669	<u>(14,129)</u> \$ 583,740
Original 2019 Tax Levy	\$	2,836,161		\$ 5,472,321
Adjustment to 2019 Tax Levy		<u>(14,039)</u>	<u>2,822,122</u>	<u>(27,088)</u> <u>5,445,233</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 3,168,791		\$ 6,028,973
TAX COLLECTIONS:				
Prior Years	\$	51,972		\$ 101,991
Current Year		<u>2,744,072</u>	<u>2,796,044</u>	<u>5,294,635</u> <u>5,396,626</u>
TAXES RECEIVABLE -				
SEPTEMBER 30, 2020		<u>\$ 372,747</u>		<u>\$ 632,347</u>
TAXES RECEIVABLE BY				
YEAR:				
2019		\$ 78,050		\$ 150,598
2018		44,871		86,596
2017		27,663		50,113
2016		20,786		41,501
2015		16,122		35,217
2014		14,355		33,016
2013		12,261		29,172
2012		10,973		24,817
2011		8,714		21,834
2010		8,670		22,906
2009		8,345		18,874
2008		9,735		16,535
2007		10,452		15,302
2006		10,315		11,968
2005		12,027		12,729
2004 and prior		<u>79,408</u>		<u>61,169</u>
TOTAL		<u>\$ 372,747</u>		<u>\$ 632,347</u>

See accompanying independent auditor's report.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 1,434,613,058</u>	<u>\$ 1,322,694,833</u>	<u>\$ 1,200,694,525</u>	<u>\$ 1,151,652,086</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.378900	\$ 0.365148	\$ 0.329900	\$ 0.335051
Maintenance**	<u>0.196374</u>	<u>0.189207</u>	<u>0.182106</u>	<u>0.167812</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.575274</u>	<u>\$ 0.554355</u>	<u>\$ 0.512006</u>	<u>\$ 0.502863</u>
ADJUSTED TAX LEVY*	<u>\$ 8,267,355</u>	<u>\$ 7,343,608</u>	<u>\$ 6,155,218</u>	<u>\$ 5,795,593</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>97.23 %</u>	<u>98.21 %</u>	<u>98.74 %</u>	<u>98.93 %</u>

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

\*\* Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation was approved by voters on July 14, 1970.

See accompanying independent auditor's report.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2020**

REFUNDING SERIES - 2012

<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due February 1</u>	<u>Interest Due February 1/ August 1</u>	<u>Total</u>
2021	\$ 960,000	\$ 193,800	\$ 1,153,800
2022	1,015,000	154,300	1,169,300
2023	1,065,000	112,700	1,177,700
2024	1,115,000	69,100	1,184,100
2025	1,170,000	23,400	1,193,400
2026			
2027			
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2045			
	<u>\$ 5,325,000</u>	<u>\$ 553,300</u>	<u>\$ 5,878,300</u>

See accompanying independent auditor's report.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2020**

REVENUE REFUNDING SERIES - 2012

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$ 500,000	\$ 112,860	\$ 612,860
2022	525,000	94,410	619,410
2023	550,000	75,060	625,060
2024	575,000	54,810	629,810
2025	605,000	33,570	638,570
2026	630,000	11,340	641,340
2027			
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2045			
	<u>\$ 3,385,000</u>	<u>\$ 382,050</u>	<u>\$ 3,767,050</u>

See accompanying independent auditor's report.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2020**

S E R I E S - 2 0 1 3			
Due During Fiscal Years Ending September 30	Principal Due February 1	Interest Due February 1/ August 1	Total
2021	\$	\$ 365,263	\$ 365,263
2022		365,262	365,262
2023		365,263	365,263
2024		365,262	365,262
2025		365,263	365,263
2026		365,262	365,262
2027		365,263	365,263
2028		365,262	365,262
2029		365,263	365,263
2030		365,262	365,262
2031		365,263	365,263
2032		365,262	365,262
2033		365,263	365,263
2034		365,262	365,262
2035	1,940,000	315,550	2,255,550
2036	2,010,000	223,125	2,233,125
2037	2,085,000	136,106	2,221,106
2038	2,160,000	45,900	2,205,900
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	\$ 8,195,000	\$ 5,834,356	\$ 14,029,356

See accompanying independent auditor's report.



**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2020**

REFUNDING SERIES - 2014

Due During Fiscal Years Ending September 30	Principal Due February 1	Interest Due February 1/ August 1	Total
2021	\$ 15,000	\$ 293,019	\$ 308,019
2022	20,000	292,600	312,600
2023	20,000	292,050	312,050
2024	20,000	291,450	311,450
2025	20,000	290,850	310,850
2026	955,000	276,225	1,231,225
2027	990,000	247,050	1,237,050
2028	1,045,000	211,300	1,256,300
2029	1,100,000	168,400	1,268,400
2030	1,155,000	123,300	1,278,300
2031	1,220,000	75,800	1,295,800
2032	1,285,000	25,700	1,310,700
2033			
2034			
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2042			
2043			
2044			
2045			
	<u>\$ 7,845,000</u>	<u>\$ 2,587,744</u>	<u>\$ 10,432,744</u>

See accompanying independent auditor's report.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2020**

S E R I E S - 2 0 1 4			
Due During Fiscal Years Ending September 30	Principal Due February 1	Interest Due February 1/ August 1	Total
2021	\$	\$ 76,712	\$ 76,712
2022		76,713	76,713
2023		76,712	76,712
2024		76,713	76,713
2025		76,712	76,712
2026		76,713	76,713
2027		76,712	76,712
2028		76,713	76,713
2029		76,712	76,712
2030		76,713	76,713
2031		76,712	76,712
2032		76,713	76,713
2033		76,712	76,712
2034		76,713	76,713
2035	435,000	68,556	503,556
2036	480,000	51,400	531,400
2037	510,000	32,200	542,200
2038	550,000	11,000	561,000
2039			
2040			
2041			
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2044			
2045			
	\$ 1,975,000	\$ 1,237,131	\$ 3,212,131

See accompanying independent auditor's report.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2020**

REFUNDING SERIES - 2015

<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due February 1</u>	<u>Interest Due February 1/ August 1</u>	<u>Total</u>
2021	\$ 420,000	\$ 286,650	\$ 706,650
2022	425,000	273,975	698,975
2023	435,000	261,075	696,075
2024	440,000	245,750	685,750
2025	450,000	230,200	680,200
2026	835,000	210,925	1,045,925
2027	860,000	184,963	1,044,963
2028	875,000	157,306	1,032,306
2029	895,000	128,544	1,023,544
2030	920,000	95,600	1,015,600
2031	955,000	58,100	1,013,100
2032	975,000	19,500	994,500
2033			
2034			
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2044			
2045			
	<u>\$ 8,485,000</u>	<u>\$ 2,152,588</u>	<u>\$ 10,637,588</u>

See accompanying independent auditor's report.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2020**

REFUNDING SERIES - 2016

<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due February 1</u>	<u>Interest Due February 1/ August 1</u>	<u>Total</u>
2021	\$ 670,000	\$ 359,906	\$ 1,029,906
2022	690,000	346,306	1,036,306
2023	705,000	332,356	1,037,356
2024	725,000	317,604	1,042,604
2025	750,000	300,525	1,050,525
2026	770,000	281,525	1,051,525
2027	800,000	259,900	1,059,900
2028	825,000	235,525	1,060,525
2029	855,000	210,325	1,065,325
2030	885,000	184,225	1,069,225
2031	910,000	156,163	1,066,163
2032	950,000	125,938	1,075,938
2033	3,400,000	55,250	3,455,250
2034	99,985	3,385,015	3,485,000
2035			
2036			
2037			
2038			
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2040			
2041			
2042			
2043			
2044			
2045			
	<u>\$ 13,034,985</u>	<u>\$ 6,550,563</u>	<u>\$ 19,585,548</u>

See accompanying independent auditor's report.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2020**

S E R I E S - 2 0 1 7

Due During Fiscal Years Ending September 30	Principal Due February 1	Interest Due February 1/ August 1	Total
2021	\$ 170,000	\$ 329,300	\$ 499,300
2022	155,000	325,238	480,238
2023	155,000	321,362	476,362
2024	155,000	317,100	472,100
2025	150,000	312,525	462,525
2026	60,000	309,375	369,375
2027	50,000	307,725	357,725
2028	40,000	306,375	346,375
2029	35,000	305,250	340,250
2030	30,000	304,256	334,256
2031	20,000	303,463	323,463
2032	15,000	302,894	317,894
2033		302,650	302,650
2034		302,650	302,650
2035	1,025,000	284,712	1,309,712
2036	1,060,000	248,225	1,308,225
2037	1,105,000	210,338	1,315,338
2038	1,150,000	170,875	1,320,875
2039	4,020,000	75,375	4,095,375
2040			
2041			
2042			
2043			
2044			
2045			
	<u>\$ 9,395,000</u>	<u>\$ 5,339,688</u>	<u>\$ 14,734,688</u>

See accompanying independent auditor's report.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2020**

S E R I E S - 2 0 1 9

Due During Fiscal Years Ending September 30	Principal Due February 1	Interest Due February 1/ August 1	Total
2021	\$ 60,000	\$ 690,894	\$ 750,894
2022	65,000	687,769	752,769
2023	65,000	684,519	749,519
2024	70,000	681,144	751,144
2025	70,000	677,644	747,644
2026	70,000	674,144	744,144
2027	70,000	670,644	740,644
2028	75,000	667,769	742,769
2029	75,000	665,519	740,519
2030	80,000	663,194	743,194
2031	80,000	660,794	740,794
2032	85,000	658,266	743,266
2033	25,000	656,531	681,531
2034		656,125	656,125
2035	160,000	653,425	813,425
2036	165,000	647,941	812,941
2037	165,000	642,269	807,269
2038	160,000	636,581	796,581
2039	160,000	630,981	790,981
2040	3,215,000	571,919	3,786,919
2041	3,345,000	455,028	3,800,028
2042	3,480,000	331,325	3,811,325
2043	3,625,000	202,547	3,827,547
2044	3,775,000	68,422	3,843,422
2045			
	<u>\$ 19,140,000</u>	<u>\$ 14,235,394</u>	<u>\$ 33,375,394</u>

See accompanying independent auditor's report.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2020**

S E R I E S - 2 0 2 0			
Due During Fiscal Years Ending September 30	Principal Due February 1	Interest Due February 1/ August 1	Total
2021	\$	\$ 333,300	\$ 333,300
2022		333,300	333,300
2023	5,000	333,225	338,225
2024	5,000	333,075	338,075
2025	10,000	332,850	342,850
2026	10,000	332,550	342,550
2027	15,000	332,175	347,175
2028	15,000	331,725	346,725
2029	15,000	331,275	346,275
2030	15,000	330,825	345,825
2031	15,000	330,375	345,375
2032	10,000	330,000	340,000
2033	15,000	329,625	344,625
2034	10,000	329,250	339,250
2035	15,000	328,875	343,875
2036	10,000	328,500	338,500
2037	10,000	328,200	338,200
2038	15,000	327,825	342,825
2039	10,000	327,450	337,450
2040	1,125,000	310,425	1,435,425
2041	1,140,000	276,450	1,416,450
2042	1,160,000	241,950	1,401,950
2043	1,175,000	206,925	1,381,925
2044	1,190,000	171,450	1,361,450
2045	5,120,000	76,800	5,196,800
	\$ 11,110,000	\$ 7,568,400	\$ 18,678,400

See accompanying independent auditor's report.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2020**

S E R I E S - 2 0 2 0 A

Due During Fiscal Years Ending September 30	Principal Due February 1	Interest Due February 1/ August 1	Total
2021	\$ 25,000	\$	\$ 25,000
2022	20,000		20,000
2023	20,000		20,000
2024	25,000		25,000
2025	25,000		25,000
2026	30,000		30,000
2027	30,000		30,000
2028	35,000		35,000
2029	35,000		35,000
2030	30,000		30,000
2031	30,000		30,000
2032	30,000		30,000
2033	30,000		30,000
2034	30,000		30,000
2035	30,000		30,000
2036	30,000		30,000
2037	30,000		30,000
2038	30,000		30,000
2039	30,000		30,000
2040	35,000		35,000
2041	25,000		25,000
2042	15,000		15,000
2043			
2044			
2045			
	\$ 620,000	\$ - 0 -	\$ 620,000

See accompanying independent auditor's report.



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**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2020**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 2,820,000	\$ 3,041,704	\$ 5,861,704
2022	2,915,000	2,949,873	5,864,873
2023	3,020,000	2,854,322	5,874,322
2024	3,130,000	2,752,008	5,882,008
2025	3,250,000	2,643,539	5,893,539
2026	3,360,000	2,538,059	5,898,059
2027	2,815,000	2,444,432	5,259,432
2028	2,910,000	2,351,975	5,261,975
2029	3,010,000	2,251,288	5,261,288
2030	3,115,000	2,143,375	5,258,375
2031	3,230,000	2,026,670	5,256,670
2032	3,350,000	1,904,273	5,254,273
2033	3,470,000	1,786,031	5,256,031
2034	139,985	5,115,015	5,255,000
2035	3,605,000	1,651,118	5,256,118
2036	3,755,000	1,499,191	5,254,191
2037	3,905,000	1,349,113	5,254,113
2038	4,065,000	1,192,181	5,257,181
2039	4,220,000	1,033,806	5,253,806
2040	4,375,000	882,344	5,257,344
2041	4,510,000	731,478	5,241,478
2042	4,655,000	573,275	5,228,275
2043	4,800,000	409,472	5,209,472
2044	4,965,000	239,872	5,204,872
2045	5,120,000	76,800	5,196,800
	<u>\$ 88,509,985</u>	<u>\$ 46,441,214</u>	<u>\$ 134,951,199</u>

See accompanying independent auditor's report.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2019
Horizon Regional Municipal Utility District Unlimited Tax Refunding Bonds - Series 2012	\$ 7,665,000	\$ 6,250,000
Horizon Regional Municipal Utility District Waterworks and Sewer System Revenue Refunding Bonds - Series 2012	6,660,000	3,865,000
Horizon Regional Municipal Utility District Unlimited Tax Bonds - Series 2013	8,195,000	8,195,000
Horizon Regional Municipal Utility District Unlimited Tax Refunding Bonds - Series 2014	7,935,000	7,860,000
Horizon Regional Municipal Utility District Unlimited Tax Bonds - Series 2014	1,975,000	1,975,000
Horizon Regional Municipal Utility District Unlimited Tax Refunding Bonds - Series 2015	9,535,000	8,900,000
Horizon Regional Municipal Utility District Unlimited Tax Refunding Bonds - Series 2016	15,164,985	13,689,985
Horizon Regional Municipal Utility District Unlimited Tax Bonds - Series 2017	9,575,000	9,560,000
Horizon Regional Municipal Utility District Unlimited Tax Bonds - Series 2019	19,200,000	19,200,000
Horizon Regional Municipal Utility District Unlimited Tax Bonds - Series 2020	11,110,000	
Horizon Regional Municipal Utility District Unlimited Tax Bonds - Series 2020A	620,000	
	<u>\$ 97,634,985</u>	<u>\$ 79,494,985</u>

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding September 30, 2020	Paying Agent
	Principal	Interest		
\$	\$ 925,000	\$ 222,250	\$ 5,325,000	Wells Fargo Bank N.A. Houston, TX
	480,000	130,500	3,385,000	Southside Bank Tyler, TX
		365,262	8,195,000	Bank of Texas Austin, TX
	15,000	293,338	7,845,000	Bank of Texas Austin, TX
		76,713	1,975,000	Bank of Texas Austin, TX
	415,000	299,175	8,485,000	BOKF, N.A. Austin, TX
	655,000	373,156	13,034,985	BOKF, N.A. Austin, TX
	165,000	333,488	9,395,000	BOKF, N.A. Austin, TX
	60,000	693,894	19,140,000	UMB Bank, N.A. Austin, TX
11,110,000		90,731	11,110,000	UMB Bank, N.A. Austin, TX
<u>620,000</u>			<u>620,000</u>	UMB Bank, N.A. Austin, TX
<u>\$ 11,730,000</u>	<u>\$ 2,715,000</u>	<u>\$ 2,878,507</u>	<u>\$ 88,509,985</u>	

See accompanying independent auditor's report.

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**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 130,000,000	\$ 67,500,000
Amount Issued	<u>107,675,000</u>	<u>46,440,000</u>
Remaining to be Issued	<u>\$ 22,325,000</u>	<u>\$ 21,060,000</u>
 Debt Service Fund cash and investment balances as of September 30, 2020:		<u>\$ 6,308,273</u>
 Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 5,398,048</u>

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

See accompanying independent auditor's report.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND – FIVE YEARS**

Amounts

	2020	2019	2018
<b>REVENUES</b>			
Property Taxes	\$ 2,796,044	\$ 2,474,562	\$ 2,171,236
Water Service	3,463,204	3,152,598	3,167,578
Wastewater Service	2,098,415	2,048,397	2,049,950
Garbage Service Revenues	2,568,604	2,526,675	2,368,676
Sprayfield Golf Course Revenue	888,800	932,960	642,916
Penalty and Interest	179,296	299,416	281,828
Tap Connection and Inspection Fees	23,364	30,068	164,639
Investment Revenues	11,231	6,921	5,467
Sales of Assets	780,998		
Miscellaneous Revenues	297,499	509,189	168,150
<b>TOTAL REVENUES</b>	<u>\$ 13,107,455</u>	<u>\$ 11,980,786</u>	<u>\$ 11,020,440</u>
<b>EXPENDITURES</b>			
Professional Fees	\$ 364,591	\$ 337,697	\$ 354,928
Contracted Services	5,169,197	4,843,610	4,431,644
Utilities	1,512,665	1,359,177	1,570,375
Repairs and Maintenance	3,344,690	2,739,901	2,422,529
Effluent Sprayfield	583,966	964,787	777,093
Other	1,158,161	984,676	835,489
Capital Outlay	169,018	516,148	543,910
Debt Service:			
Bond Issuance Costs			20,585
Principal	725,458	692,852	656,500
Interest	181,461	205,334	223,540
<b>TOTAL EXPENDITURES</b>	<u>\$ 13,209,207</u>	<u>\$ 12,644,182</u>	<u>\$ 11,836,593</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (101,752)</u>	<u>\$ (663,396)</u>	<u>\$ (816,153)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out)	\$ (87,021)	\$ 20,585	\$ 269
Capital Lease Proceeds		213,409	72,928
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ (87,021)</u>	<u>\$ 233,994</u>	<u>\$ 73,197</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (188,773)	\$ (429,402)	\$ (742,956)
<b>BEGINNING FUND BALANCE</b>	<u>1,533,656</u>	<u>1,963,058</u>	<u>2,706,014</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 1,344,883</u>	<u>\$ 1,533,656</u>	<u>\$ 1,963,058</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 1,852,090	\$ 1,729,402	21.3 %	20.6 %	19.7 %	17.1 %	16.9 %
3,334,185	3,240,494	26.3	26.2	28.7	30.7	31.5
1,806,230	1,753,124	16.0	17.1	18.6	16.6	17.1
2,366,192	2,325,110	19.6	21.1	21.5	21.8	22.6
661,550	648,041	6.8	7.8	5.8	6.1	6.3
308,922	323,404	1.4	2.5	2.6	2.8	3.1
26,415	21,693	0.2	0.3	1.5	0.2	0.2
4,614	3,389	0.1	0.1	0.1	0.1	0.1
165,000		6.0			1.5	
341,941	226,619	2.3	4.3	1.5	3.1	2.2
<u>\$ 10,867,139</u>	<u>\$ 10,271,276</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 254,531	\$ 234,095	2.8 %	2.8 %	3.2 %	2.3 %	2.3 %
4,164,304	4,038,835	39.4	40.4	40.2	38.3	39.3
1,590,633	1,396,540	11.5	11.3	14.2	14.6	13.6
1,631,710	1,557,114	25.5	22.9	22.0	15.0	15.2
790,228	801,768	4.5	8.1	7.0	7.3	7.8
891,161	768,237	8.8	8.2	7.6	8.2	7.5
674,693	528,159	1.3	4.3	4.9	6.2	5.1
	20,713			0.2		0.2
379,800	226,773	5.5	5.8	6.0	3.5	2.2
57,557	63,152	1.4	1.7	2.0	0.5	0.6
<u>\$ 10,434,617</u>	<u>\$ 9,635,386</u>	<u>100.7 %</u>	<u>105.5 %</u>	<u>107.3 %</u>	<u>95.9 %</u>	<u>93.8 %</u>
<u>\$ 432,522</u>	<u>\$ 635,890</u>	<u>(0.7) %</u>	<u>(5.5) %</u>	<u>(7.3) %</u>	<u>4.1 %</u>	<u>6.2 %</u>
\$ 161,175	\$ (635,405)					
423,500						
<u>\$ 584,675</u>	<u>\$ (635,405)</u>					
\$ 1,017,197	\$ 485					
1,688,817	1,688,332					
<u>\$ 2,706,014</u>	<u>\$ 1,688,817</u>					

See accompanying independent auditor's report.



**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUNDS - FIVE YEARS**

Amounts

	2020	2019	2018
<b>REVENUES</b>			
Property Taxes	\$ 5,396,626	\$ 4,775,779	\$ 3,943,341
Penalty and Interest	80,509	70,215	62,750
Investment Revenues	74,591	66,853	10,318
Miscellaneous Revenues			12
<b>TOTAL REVENUES</b>	<u>\$ 5,551,726</u>	<u>\$ 4,912,847</u>	<u>\$ 4,016,421</u>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 6,500	\$ 6,800	\$ 3,250
Debt Service Principal	2,235,000	1,965,000	1,865,000
Debt Service Interest and Fees	2,751,457	2,227,100	2,071,872
Bond Issuance Costs			
Payment to Refunded Bond Escrow Agent			
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,992,957</u>	<u>\$ 4,198,900</u>	<u>\$ 3,940,122</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 558,769</u>	<u>\$ 713,947</u>	<u>\$ 76,299</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out)	\$ 22,021	\$	\$ (269)
Long-Term Debt Issued		1,390,788	
Refunding Bonds			
Payment to Refunded Bond Escrow Agent			
Bond Discount			
Bond Premium			
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ 22,021</u>	<u>\$ 1,390,788</u>	<u>\$ (269)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 580,790	\$ 2,104,735	\$ 76,030
<b>BEGINNING FUND BALANCE</b>	<u>5,727,027</u>	<u>3,622,292</u>	<u>3,546,262</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 6,307,817</u>	<u>\$ 5,727,027</u>	<u>\$ 3,622,292</u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>11,226</u>	<u>10,958</u>	<u>10,608</u>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>8,809</u>	<u>8,574</u>	<u>8,169</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 3,682,159	\$ 3,774,659	97.2 %	97.2 %	98.1 %	98.3 %	98.5 %
54,071	50,488	1.5	1.4	1.6	1.4	1.3
9,482	8,475	1.3	1.4	0.3	0.3	0.2
<u>\$ 3,745,712</u>	<u>\$ 3,833,622</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 9,305	\$	0.1 %	0.1 %	0.1 %	0.2 %	%
2,210,000	1,900,000	40.3	40.0	46.4	59.0	49.6
2,097,437	1,865,210	49.6	45.3	51.6	56.0	48.7
	569,227					14.8
	497,517					13.0
<u>\$ 4,316,742</u>	<u>\$ 4,831,954</u>	<u>90.0 %</u>	<u>85.4 %</u>	<u>98.1 %</u>	<u>115.2 %</u>	<u>126.1 %</u>
<u>\$ (571,030)</u>	<u>\$ (998,332)</u>	<u>10.0 %</u>	<u>14.6 %</u>	<u>1.9 %</u>	<u>(15.2) %</u>	<u>(26.1) %</u>
\$ 337,833	\$ 593,500					
335,850						
	15,164,985					
	(15,901,740)					
	(285,545)					
	1,591,529					
<u>\$ 673,683</u>	<u>\$ 1,162,729</u>					
\$ 102,653	\$ 164,397					
<u>3,443,609</u>	<u>3,279,212</u>					
<u>\$ 3,546,262</u>	<u>\$ 3,443,609</u>					
<u>10,323</u>	<u>9,825</u>					
<u>8,014</u>	<u>7,620</u>					

See accompanying independent auditor's report.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2020**

District Mailing Address - Horizon Regional Municipal Utility District  
14100 Horizon Boulevard  
Horizon City, TX 79928

District Telephone Number - (915) 852-3917

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees of Office for the year ended September 30, 2020	Expense Reimbursements for the year ended September 30, 2020	Title
Gordon Jarvis	05/17 05/21 (Elected)	\$ 6,900	\$ -0-	President
John Whitaker	05/17 05/21 (Elected)	\$ 7,200	\$ 190	Vice President
Carl Dean Hulsey	05/19 05/23 (Elected)	\$ 6,450	\$ -0-	Treasurer
Bonnie Moorhouse	05/19 05/23 (Elected)	\$ 3,600	\$ -0-	Secretary
Mike Barton	05/19 05/23 (Elected)	\$ 7,200	\$ -0-	Assistant Secretary/ Vice President

Note: No Director has any business or family relationships with major landowners in the District, with the District's developer or with any of the District's consultants.

Submission date of most recent District Registration Form: July 9, 2019.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on June 20, 2003. Fees of Office are the amounts paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**HORIZON REGIONAL MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2020**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2020</u>	<u>Title</u>
Johnson Petrov LLP	03/97	\$ 113,251 \$ 247,700	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	09/24/15	\$ 28,625 \$ 1,500	Audit Related Bond Related
Myrtle Cruz, Inc.	07/27/17	\$ 47,777	Bookkeeper
Inframark, LLC	01/09/13	\$3,065,744	District Manager, Operations and Bookkeeper
TRE & Associates, LLC	12/01/11	\$ 682,249	Engineer
Blitch Associates, Inc.	05/04/15	\$ 94,058	Financial Advisor
El Paso County Tax Assessor/Collector	03/97	\$ 82,104	Tax Assessor/ Collector
Delgado Acosta Spencer Linebarger & Perez, LLP	01/01/06	\$ 50,457	Delinquent Tax Attorney

See accompanying independent auditor's report.

APPENDIX B—Specimen Municipal Bond Insurance Policy



**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

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

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIAL MEMBER

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor  
200 Liberty Street  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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