

**OFFICIAL STATEMENT DATED JULY 19, 2021**

*IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 119. IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.*

*The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."*

**NEW ISSUE - Book-Entry Only**

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

**\$9,065,000**

**HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 119  
(A Political Subdivision of the State of Texas, located within Harris County, Texas)  
UNLIMITED TAX REFUNDING BONDS, SERIES 2021**

**Dated: August 1, 2021**

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

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

The Bonds maturing on and after October 1, 2027, are subject to redemption prior to maturity at the option of Harris Water Control and Improvement District No. 119 (the "District"), as a whole or in part, on October 1, 2026, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

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

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



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**See Maturity Schedule on the inside cover**

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The proceeds of the sale of the Bonds, together with certain other lawfully available funds of the District, if any, will be applied to refund certain outstanding bonds of the District and to pay the costs of issuance of the Bonds. See "PLAN OF FINANCING - Use of Bond Proceeds." The Bonds, when issued, constitute valid and binding obligations of the District, and are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS - Source and Security for Payment." Neither the State of Texas, the City of Houston, Texas, Harris County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Houston, Texas, or Harris County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the Underwriters, subject among other things to the approval of the Attorney General of Texas and of Marks Richardson PC, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Underwriters' Counsel. Delivery of the Bonds in book-entry form through DTC is expected to be on or about August 26, 2021.

**SAMCO CAPITAL MARKETS**

**RBC CAPITAL MARKETS**

## MATURITY SCHEDULE

CUSIP Prefix (a): 414513

<u>Maturity (Due October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>
2021	\$105,000	4.00%	0.21%	KZ3
2022	45,000	4.00	0.32	LA7
2023	75,000	4.00	0.41	LB5
2024	75,000	4.00	0.59	LC3
2025	75,000	4.00	0.80	LD1
2026	85,000	4.00	0.95	LE9
2027 <sup>(c)</sup>	360,000	2.00	1.00	LF6
2028 <sup>(c)</sup>	355,000	2.00	1.11	LG4
2029 <sup>(c)</sup>	355,000	2.00	1.25	LH2
2030 <sup>(c)</sup>	1,615,000	2.00	1.43	LJ8
2031 <sup>(c)</sup>	1,650,000	2.00	1.59	LK5
2032 <sup>(c)</sup>	1,695,000	2.00	1.71	LL3
2033 <sup>(c)</sup>	1,285,000	2.00	1.82	LM1
2034 <sup>(c)</sup>	1,290,000	2.00	1.89	LN9

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

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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 Underwriters (defined herein) 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 Underwriters.

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

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District c/o Marks Richardson PC, 3700 Buffalo Speedway, Suite 830, Houston, Texas 77098 upon payment of the costs for duplication thereof.

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. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Underwriters, as shown on the cover page hereof and thereafter only as described under "GENERAL CONSIDERATIONS - Updating of Official Statement."

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

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

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

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

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

### **Underwriting**

SAMCO Capital Markets, Inc. and RBC Capital Markets, LLC (“RBC”) (together, the “Underwriters”) have agreed, pursuant to a Bond Purchase Agreement, to purchase the Bonds from the District for \$9,205,813.70 (an amount equal to the principal amount of the Bonds, less an Underwriters’ discount of \$63,908.25, plus an original issue premium on the Bonds of \$204,721.95), plus accrued interest on the Bonds to the date of delivery. The obligation of the Underwriters to purchase the Bonds is subject to the conditions contained in the Bond Purchase Agreement. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriters.

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

### **Prices and Marketability**

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

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

## Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon 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.

## BOND INSURANCE

### Bond Insurance Policy

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

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

### Assured Guaranty Municipal Corp.

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

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

#### *Current Financial Strength Ratings*

On July 8 2021, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

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



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

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

#### *Capitalization of AGM*

At March 31, 2021:

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

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

#### *Merger of MAC into AGM*

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

#### *Incorporation of Certain Documents by Reference*

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

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

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

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

#### *Miscellaneous Matters*

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

### **BOND INSURANCE RISK FACTORS**

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

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

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

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

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

## RATINGS

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

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

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

The District is not aware of any ratings assigned the Bonds other than the ratings of S&P. See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS.”

**OFFICIAL STATEMENT SUMMARY**

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

**THE BONDS**

The Issuer.....	Harris County Water Control and Improvement District No. 119 (the “District”) is a political subdivision of the State of Texas located within Harris County, Texas. See “THE DISTRICT - General.”
Description.....	\$9,065,000 Unlimited Tax Refunding Bonds, Series 2021, are dated August 1, 2021, and mature on October 1 in the years and in the amounts shown on the inside cover page hereof. Interest on the Bonds accrues from August 1, 2021, and is payable on October 1, 2021 (two-month interest payment), and on each April 1 and October 1 thereafter until maturity or prior redemption. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. The Bonds maturing on and after October 1, 2027, are subject to redemption, in whole or in part, prior to their scheduled maturities, on October 1, 2026, or on any date thereafter at the option of the District. See “THE BONDS - General” and - “Redemption.”
Book-Entry-Only System.....	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “Book-Entry-Only System”).
Source of Payment.....	Principal of and interest on the Bonds and the Remaining Outstanding Bonds (hereinafter defined) are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See “THE BONDS - Source and Security for Payment,” “TAX DATA - Tax Rate Calculations,” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”
Use of Proceeds.....	Proceeds of the sale of the Bonds, together with other lawfully available funds of the District, if any, will be applied to refund certain of the District’s Unlimited Tax Refunding Bonds, Series 2014 (the “Series 2014 Refunding Bonds”), in the aggregate principal amount of \$8,770,000 (the “Refunded Bonds”). The proceeds will also be used to pay certain costs of issuing the Bonds. The Bonds are being issued to reduce the District’s debt service payments and will result in present value savings in such debt service payments. See “PLAN OF FINANCING” and “DISTRICT DEBT - Debt Service Requirements.”

Outstanding Bonds and Payment Record .....

The District has previously issued sixteen series of unlimited tax bonds and combination utility system revenue and tax bonds to finance the construction or acquisition of components of the water supply and distribution, wastewater collection and treatment and storm drainage systems (the "System"); and nine series of unlimited tax refunding bonds to refund outstanding bonds of the District. Collective reference is made in this Official Statement to the District's prior issued debt as the "Prior Bonds." The District has never defaulted in the timely payment of principal of or interest on the Prior Bonds. Before the issuance of the Bonds the principal amount of the Prior Bonds that has not been previously retired by the District is \$28,885,000 (the "Outstanding Bonds"). After issuance of the Bonds, the aggregate principal amount of the Outstanding Bonds, and less the Refunded Bonds (collectively, the "Remaining Outstanding Bonds") will be \$20,115,000, and the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be \$29,180,000. In addition to the components of the District's System that the District has financed with the proceeds of the sale of the Prior Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See "THE BONDS - Issuance of Additional Debt," "PLAN OF FINANCING," "DISTRICT DEBT - Debt Service Requirements," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."

Authorized But Unissued Bonds .....

After issuance of the Bonds, there will be \$6,570,000 bonds authorized but unissued for waterworks, wastewater, and drainage facilities and \$6,858,207.61 bonds will remain authorized but unissued for refunding purposes. See "THE BONDS - Issuance of Additional Debt."

Municipal Bond Insurance .....

Assured Guaranty Municipal Corp. ("AGM"). See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS."

Municipal Bond Rating .....

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

Legal and Tax Opinions .....

Marks Richardson PC, Houston, Texas, Bond Counsel. See "LEGAL MATTERS" and "TAX MATTERS."

Qualified Tax-Exempt Obligations .....

The District has or will designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "LEGAL MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."

**THE DISTRICT**

Description .....

The District is a political subdivision of the State of Texas, created as a water control and improvement district by Order of the Texas Water Rights Commission, a predecessor of the Texas Commission on Environmental Quality (the "TCEQ"), on October 22, 1968. On October 31, 1978, the Texas Water Commission, successor to the Texas Water Rights Commission and predecessor to the TCEQ, approved the conversion of the

District to a municipal utility district. The District contains approximately 906 acres of land. The District is located entirely within Harris County, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the "City"). The District is located approximately twenty-one miles northwest of the central business district of the City, approximately 3.8 miles north of the intersection of State Highway 249 and F.M. 1960. Spring-Cypress Road traverses the northerly portion of the District. Old Louetta Road traverses the westerly portion of the District. See "THE DISTRICT - General" and - "Description," and "APPENDIX A - LOCATION MAP."

Authority .....

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

Development and Home Construction .....

The development of all but approximately 20 acres of the developable land located within the District has been completed as is described in this Official Statement. Land within the District has been developed primarily for single-family residential usage. The development of an aggregate of 2,998 single-family residential lots on an aggregate of approximately 807.42 acres located in the District subdivided as Glenloch, Sections 1 and 2; Memorial Chase, Sections 1 through 8; Memorial Creek, Sections 1 through 5; Memorial Creek Estates, Sections 1 through 4; Brentwood Lakes, Sections 1 and 2, Memorial Springs, Sections 1 through 14 and Stonebrook Estates, Sections 1 and 2 is complete. Single-family homes have been constructed on 2,995 of such 2,998 lots, all of which homes have been sold to home purchasers. Proceeds of the sale of the Prior Bonds have been used by the District to finance the District's portion of the cost of acquiring and constructing the System to serve all of such sections. In addition to the components of the District's System that the District has financed with the proceeds of the sale of the Prior Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See "THE BONDS - Issuance of Additional Debt," "DISTRICT DEBT - Debt Service Requirements," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."

The remaining approximately 20 acres of currently undeveloped land located within the District that are available for future development are owned by multiple parties. With respect to approximately 12 of such acres, a developer is planning to construct approximately 50 single-family residential lots. The District is unaware of any definitive development plan for the remaining acreage. Since none of the owners of any of such currently undeveloped land located within the District is under any obligation to the District to develop any portion thereof according to any timetable, or at all, the District cannot represent that any portion thereof will be developed, nor can the District predict the type of development that will be undertaken thereon. The undevelopable acres within the District consist of drainage channel rights-of-way, water supply plant and wastewater

treatment plant sites, are used for park and recreational purposes, or are otherwise not expected to be available for future development. See “FUTURE DEVELOPMENT.”

Infectious Disease Outbreak (COVID-19) .....

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State of Texas (the “State”) because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment except in counties with an “area with high hospitalizations” where a county judge may impose COVID-19 related mitigation strategies. Harris County is not currently an “area with high hospitalizations.” The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the decrease in the number of active COVID-19 cases and the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

### INVESTMENT CONSIDERATIONS

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

**SELECTED FINANCIAL INFORMATION  
(UNAUDITED)**

2020 Assessed Valuation .....	\$ 672,989,712 (a)
(As of January 1, 2020)	
See "TAX DATA" and "TAX PROCEDURES"	
2021 Preliminary Valuation .....	\$ 722,855,357 (b)
(As of January 1, 2021)	
See "TAX DATA" and "TAX PROCEDURES"	
Direct Debt:	
Remaining Outstanding Bonds .....	\$ 20,115,000
The Bonds .....	<u>9,065,000</u>
Total .....	\$ 29,180,000 (c)
Estimated Overlapping Debt .....	\$ <u>34,788,334</u> (c)
Total Direct and Estimated Overlapping Debt .....	\$ 63,968,334 (c)
Direct Debt Ratio	
: as a percentage of 2020 Assessed Valuation.....	4.34 %
: as a percentage of 2021 Preliminary Valuation.....	4.04 %
Direct and Overlapping Debt Ratio	
: as a percentage of 2020 Assessed Valuation.....	9.51 %
: as a percentage of 2021 Preliminary Valuation.....	8.85 %
Bond Fund Balance Estimated as of the Date of Delivery of the Bonds .....	\$ 3,264,835 (d)
General Fund Balance as of June 14, 2021.....	\$ 3,383,633
2020 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax.....	\$ 0.38
Maintenance Tax.....	<u>0.07</u>
Total .....	\$ 0.45
Average Percentage of Total Tax Collections (2010-2019) as of May 31, 2021.....	99.92 %
Percentage of Tax Collections of 2020 Levy as of May 31, 2021 (In process of collection).....	98.39 %
Average Annual Debt Service Requirements on the Bonds and the Remaining Outstanding Bonds (2021-2032).....	
	\$ 2,190,522
Maximum Annual Debt Service Requirements on the Bonds and the Remaining Outstanding Bonds (2021).....	
	\$ 2,326,821
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and the Remaining Outstanding Bonds (2021-2032) at 95% Tax Collections	
Based Upon 2020 Assessed Valuation.....	\$ 0.35
Based Upon 2021 Preliminary Valuation.....	\$ 0.32



Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual  
Debt Service Requirements on the Bonds and the Remaining Outstanding Bonds  
(2021) at 95% Tax Collections

Based Upon 2020 Assessed Valuation.....	\$	0.37
Based Upon 2021 Preliminary Valuation.....	\$	0.34

Number of Single Family Residences ..... 2,995

- (a) As of January 1, 2020, and comprises the District's 2020 tax roll. All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAX PROCEDURES."
- (b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2021, as reflected on the District's preliminary 2021 tax roll supplied to the District by the Appraisal District, and includes the preliminary 2021 values resulting from the construction of taxable improvements from January 1, 2020, through December 31, 2020. When the Appraisal District supplies a taxing entity with a preliminary tax roll, such preliminary tax roll does not include personal property values. Therefore, this amount includes the 2020 taxable value of personal property located within the District. The taxable value of personal property on the District's 2020 tax roll was \$10,823,381. The District's ultimate 2021 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2021. See "TAX PROCEDURES."
- (c) See "PLAN OF FINANCING" and "DISTRICT DEBT." In addition to the components of the District's System that the District has financed with the proceeds of the sale of the Prior Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See "THE BONDS - Issuance of Additional Debt," "DISTRICT DEBT - Debt Service Requirements," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."
- (d) Neither Texas law nor the Bond Order (as defined herein) requires the District to maintain any particular sum in the Bond Fund. Such fund balance reflects the timely payment by the District of the debt service requirements on the Outstanding Bonds that were due on April 1, 2021, and the contribution of \$16,000 to the refunding of the refunded Bonds. The District's remaining debt service payments for 2021, which are due on October 1, 2021, total \$1,851,309, and consist of principal of and interest on the Remaining Outstanding Bonds and the Bonds.

**\$9,065,000**  
**HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 119**  
**UNLIMITED TAX REFUNDING BONDS**  
**SERIES 2021**

**INTRODUCTION**

This Official Statement provides certain information with respect to the issuance by Harris County Water Control and Improvement District No. 119 (the “District”) of its Unlimited Tax Refunding Bonds, Series 2021 (the “Bonds”).

There follow in this Official Statement descriptions of the Bonds and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District c/o Marks Richardson PC (“Bond Counsel”), 3700 Buffalo Speedway, Suite 830, Houston, Texas 77098 upon request and payment of the costs of duplication thereof.

**THE BONDS**

**General**

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the order authorizing the Bonds (the “Bond Order”), a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

**Description**

The Bonds will be dated and accrue interest from August 1, 2021, with interest payable on October 1, 2021 (two-month interest payment), and on each April 1 and October 1 thereafter (each, an “Interest Payment Date”) until maturity or prior redemption. Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The Bonds mature on October 1 of the years and in the amounts shown under “MATURITY SCHEDULE” on the inside cover page hereof. The Bonds are issued in fully registered form only in principal denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be initially registered and delivered only to the Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry system described herein. No physical delivery of the Bonds will be made to purchasers thereof. See “BOOK-ENTRY-ONLY SYSTEM.”

**Authority for Issuance**

At an election held within the District on May 9, 1987, voters of the District authorized a total of \$10,000,000 in bonds for the purpose of refunding outstanding bonds of the District. The Bonds will constitute the seventh issuance of bonds from such authorization, if the use of any of such authorization is necessary. After sale of the Bonds, a total of \$6,858,207.61 in principal amount of unlimited tax bonds for refunding purposes will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms of said election and provisions of the Bond Order, Article XVI, Section 59 of the Texas Constitution (if applicable); Chapters 49 and 54 of the Texas Water Code, as amended; and Chapter 1207, Texas Government Code, as amended.

**Source and Security for Payment**

The Bonds and the Remaining Outstanding Bonds (as defined under “PLAN OF FINANCING”) are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District (see “TAX PROCEDURES”). The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See “INVESTMENT CONSIDERATIONS.” The Bonds are obligations solely of the District and are not obligations of the City of Houston, Harris County, the State of Texas, or any political subdivision or entity other than the District.

## **Funds**

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

## **Record Date**

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

## **Redemption Provisions**

The District reserves the right, at its option, to redeem the Bonds maturing on and after October 1, 2027, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 of principal, on October 1, 2026, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optimal redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

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

## **Method of Payment of Principal and Interest**

The Board has appointed The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office and its principal payment office in Dallas, Texas, as the initial paying agent/registrar for the Bonds (the "Paying Agent/Registrar," "Paying Agent," or "Registrar") for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States. The principal of and interest on the Bonds shall be paid to DTC, which will, in turn, remit same to its participants for subsequent disbursement of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

## **Registration**

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Registered Owner's income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the book-entry-only system described herein. One fully registered bond will be used for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM." So long as any Bonds remain outstanding, the District will maintain at least one Paying Agent/Registrar for the purpose of maintaining the Bond Register (the "Register") on behalf of the District.

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

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

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

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

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

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

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

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

## **Issuance of Additional Debt**

The District may issue additional bonds, with the approval (where required) of the Texas Commission on Environmental Quality (the “TCEQ”), necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See “THE DISTRICT - General.” The District's voters have authorized the issuance of a total of \$56,530,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. Following the issuance of the Bonds, the District will have \$6,570,000 of unlimited tax bonds authorized but unissued for improvements and facilities. The District's voters have also authorized the issuance of \$10,000,000 unlimited tax bonds for refunding purposes, of which \$6,858,207.61 remain authorized but unissued. The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. In addition to the components of the District's System that the District has financed with the proceeds of the sale of the Prior Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See “PLAN OF FINANCING,” “DISTRICT DEBT - Debt Service Requirements,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS - Future Debt.”

The District's Engineer currently estimates that the aforementioned \$6,570,000 authorized bonds which remain unissued will be adequate to finance the construction of all water, wastewater, and drainage facilities to provide service to all of the currently undeveloped portions of the District. See “FUTURE DEVELOPMENT.” If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds and the Remaining Outstanding Bonds.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The District does not provide fire protection service, and the Board has not considered calling such an election at this time. The District has no information concerning any determination by the City of Houston to modify its consent ordinance. Issuance of bonds for fire-fighting activities could dilute the investment security of the Bonds.

### **Financing Road Facilities**

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the TCEQ, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the TCEQ for road powers nor calling such an election at this time. Issuance of bonds for roads could dilute the investment security for the Bonds.

### **Financing Parks and Recreational Facilities**

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

The District may levy an operation and maintenance tax to support parks and recreational facilities at a rate not to exceed 10 cents per \$100 of assessed value of taxable property in the District, after such tax is approved at an election. In addition, the District is authorized to issue bonds payable from an annual ad valorem tax to pay for the development and maintenance of parks and recreational facilities if (i) the District duly adopts a park plan; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed the lesser of 1% of the value of the taxable property in the District at the time of issuance of the bonds or the estimated cost of the park plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; and (v) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. The issuance of such bonds is subject to rules and regulations to be adopted by the Commission.

The District has not considered calling an election for such purposes but could consider doing so in the future.

### **Annexation**

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. See "Strategic Partnership," below for a description of the terms of the Strategic Partnership Agreement between the City and the District.

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

## **Strategic Partnership**

The District has entered into a Strategic Partnership Agreement (“SPA”) with the City of Houston (the “City”) whereby the tracts of land containing commercial development are annexed into the City for the limited purpose of applying certain of the City’s Planning, Zoning, Health and Safety Ordinances to the commercial businesses. The City imposes a Sales and Use Tax within the annexed tracts on the receipts from the sales and use at retail of taxable items at the rate of one percent or such other rate as may be imposed by the City from time to time. Under the SPA, one-half or 50% of the sales tax revenue generated by the commercial business will be paid to the District, and the District can use the sales tax for purposes for which the District is lawfully authorized to use its ad valorem tax revenues or other revenues.

Neither the District nor any owners of taxable property in the District is liable for any present or future debts of the City and current and future ad valorem taxes levied by the City will not be levied on taxable property in the District.

In consideration of the services provided by the City, in lieu of full purpose annexation, the District is required to pay the City an annual fee of \$100 on each anniversary of the date the SPA was approved by the City Council of the City. Under the SPA the City agrees that, unless otherwise consented to by the District, it will not annex all or part of the District for a period of thirty years from the effective date of the SPA, April 4, 2007.

The Bonds are not obligations of the City and the SPA does not obligate the City, either directly or indirectly, to pay the principal of or interest on the Bonds. Payments received by the District pursuant to the SPA are not pledged to the payment of the Bonds.

## **Consolidation**

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

## **Remedies in Event of Default**

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

Other than a writ of mandamus, the Bond Order does not provide a specific remedy for a default. Even if a Registered Owner could obtain a judgment against the District for a default in the payment of principal or interest, such judgment could not be satisfied by execution against any property of the District. If the District defaults, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District’s officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. Certain traditional legal remedies also may not be available. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity. See “INVESTMENT CONSIDERATIONS - Registered Owners’ Remedies and Bankruptcy.”

## Defeasance

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

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

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

### **BOOK-ENTRY-ONLY SYSTEM**

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

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

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

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

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

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

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

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



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

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

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



## Defeasance of the Refunded Bonds

By the deposit of certain proceeds of the Bonds, the Escrowed Securities, and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the order authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such deposit, and in reliance upon the Verification Report of Robert Thomas CPA, LLP, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in the Escrow Fund.

## The Non-Refunded Bonds

The District has previously issued sixteen series of unlimited tax bonds and combination utility system revenue and tax bonds to finance the construction or acquisition of components of the water supply and distribution, wastewater collection and treatment and storm drainage systems (the "System"); and nine series of unlimited tax refunding bonds to refund outstanding bonds of the District. Collective reference is made in this Official Statement to the District's prior issued debt as the "Prior Bonds." The District has never defaulted in the timely payment of principal of or interest on the Prior Bonds. Before the issuance of the Bonds the principal amount of the Prior Bonds that has not been previously retired by the District is \$28,885,000 (the "Outstanding Bonds"). After issuance of the Bonds, the aggregate principal amount of the Outstanding Bonds, less the Refunded Bonds (collectively, the "Remaining Outstanding Bonds") will be \$20,115,000, and the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be \$29,180,000. The principal amounts and maturity dates (or mandatory redemption amounts and dates, as applicable) of the Remaining Outstanding Bonds are as follows:

<u>Year of Maturity</u>	<u>Series 2013 Refunding Bonds</u>	<u>Series 2014 Refunding Bonds</u>	<u>Series 2016 Bonds</u>	<u>Series 2017 Bonds</u>	<u>Series 2019 Refunding Bonds</u>	<u>Series 2020 Refunding Bonds</u>
2021	\$5,000	\$25,000	\$100,000	\$100,000	\$1,240,000	\$25,000
2022	5,000	25,000	100,000	100,000	1,275,000	15,000
2023			100,000	100,000	1,315,000	25,000
2024			100,000	100,000	1,260,000	30,000
2025			100,000	100,000	1,305,000	30,000
2026			100,000	100,000		1,480,000
2027			100,000	100,000		1,080,000
2028			125,000	100,000		1,120,000
2029			125,000	100,000		1,155,000
2030			125,000	100,000		
2031			125,000	100,000		
2032			125,000	100,000		
2033			125,000	100,000		
2034			150,000	100,000		
2035			1,200,000	150,000		
2036			1,250,000	150,000		
2037				1,450,000		
2038				1,500,000		
	<u>\$10,000</u>	<u>\$50,000</u>	<u>\$4,050,000</u>	<u>\$4,650,000</u>	<u>\$6,395,000</u>	<u>\$4,960,000</u>
Total Principal Amount of Remaining Outstanding Bonds .....						\$20,115,000

**Sources and Uses of Funds**

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

**SOURCES OF FUNDS:**

Principal Amount of Bonds .....	\$9,065,000.00
Plus: Accrued Interest .....	13,229.17
District Contribution .....	16,000.00
Original Issue Premium on the Bonds .....	<u>204,721.95</u>
Total Sources of Funds .....	\$9,298,951.12

**USES OF FUNDS:**

Deposit with Escrow Agent .....	\$8,944,859.61
Deposit Accrued Interest to Bond Fund .....	13,229.17
Expenses:	
Underwriter Discount .....	63,908.25
Municipal Bond Insurance Premium and Other Issuance Expenses .....	<u>276,954.09</u>
Total Uses of Funds .....	\$9,298,951.12

**THE DISTRICT**

**General**

The District is a political subdivision of the State of Texas created as a water control and improvement district by an order of the Texas Water Rights Commission, a predecessor to the TCEQ, dated October 22, 1968, under Article XVI, Section 59 of the Texas Constitution. On October 31, 1978, the Texas Water Commission, successor to the Texas Water Rights Commission and predecessor to the TCEQ, approved the conversion of the District to a municipal utility district. The District operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, is subject to the continuing supervisory jurisdiction of the TCEQ.

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

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

## Description

The District contains approximately 906 acres of land. The District is located entirely within Harris County, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the “City”). The District is located approximately twenty-one miles northwest of the central business district of the City, approximately 3.8 miles north of the intersection of State Highway 249 and F.M. 1960. Spring-Cypress Road traverses the northerly portion of the District. Old Louetta Road traverses the westerly portion of the District. See “APPENDIX A - LOCATION MAP.”

## Management of the District

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

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
William Manning	President	2022
Matthew Pentifallo	Vice President	2022
Salvador Andrade	Secretary	2024
Andrew R. Phelps	Assistant Secretary/Treasurer	2024
Vacant	Director	2022

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

*Tax Assessor/Collector* - The District has engaged Wheeler and Associates, Inc., Houston, Texas, as the District's Tax Assessor/Collector. According to Wheeler and Associates, Inc., it presently serves approximately 100 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Appraisal District and bills and collects such levy.

*Utility System Operator* - The District has engaged Water District Management Co., Inc. as the general operator of the System. According to Water District Management Co., Inc., it serves as operator of the systems of approximately 28 districts.

*Consulting Engineers* - The District has engaged the firm of A&S Engineers, Inc., Houston, Texas, as Consulting Engineer in connection with the overall planning activities and the design of the System.

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

*Auditor* - As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audited financial statements are filed with the TCEQ. The financial statements of the District as of April 30, 2020, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX B.”

*Bond Counsel and General Counsel* - Marks Richardson PC, Houston, Texas, serves as Bond Counsel to the District. The fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. In addition, Marks Richardson PC also serves as general counsel to the District on matters other than issuance of bonds. See “LEGAL MATTERS.”

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

## **DEVELOPMENT AND HOME CONSTRUCTION**

The development of all but approximately 20 acres of the developable land located within the District has been completed as is described in this Official Statement. Land within the District has been developed primarily for single-family residential usage. The development of an aggregate of 2,998 single-family residential lots on an aggregate of approximately 807.42 acres located in the District subdivided as Glenloch, Sections 1 and 2; Memorial Chase, Sections 1 through 8; Memorial Creek, Sections 1 through 5; Memorial Creek Estates, Sections 1 through 4; Brentwood Lakes, Sections 1 and 2, Memorial Springs, Sections 1 through 14 and Stonebrook Estates, Sections 1 and 2 is complete. Single-family homes have been constructed on 2,995 of such 2,998 lots, all of which homes have been sold to home purchasers. Proceeds of the sale of the Prior Bonds have been used by the District to finance the District's portion of the cost of acquiring and constructing the System to serve all of such sections. In addition to the components of the District’s System that the District has financed with the proceeds of the sale of the Prior Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See “THE BONDS - Issuance of Additional Debt,” “DISTRICT DEBT - Debt Service Requirements,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS - Future Debt.”

The remaining approximately 20 acres of currently undeveloped land located within the District that are available for future development are owned by multiple parties. With respect to approximately 12 of such acres, a developer is planning to construct approximately 50 single-family residential lots. The District is unaware of any definitive development plan for the remaining acreage. Since none of the owners of any of such currently undeveloped land located within the District is under any obligation to the District to develop any portion thereof according to any timetable, or at all, the District cannot represent that any portion thereof will be developed, nor can the District predict the type of development that will be undertaken thereon. The undevelopable acres within the District consist of drainage channel rights-of-way, water supply plant and wastewater treatment plant sites, are used for park and recreational purposes, or are otherwise not expected to be available for future development. See “FUTURE DEVELOPMENT.”

As of May 1, 2021, the status of land development and home construction within the District was as follows:

<u>Subdivision</u>	<u>Lots</u>				<u>Homes</u>				<u>Totals</u>
	<u>Developed</u>	<u>Acres</u>	<u>Under Development</u>	<u>Acres</u>	<u>Under Construction Sold</u>	<u>Under Construction Unsold</u>	<u>Completed Sold</u>	<u>Completed Unsold</u>	
<b>Glenloch</b>									
Section 1	185	51.20			0	0	185	0	185
Section 2	276	65.60			0	0	276	0	276
<b>Memorial Chase</b>									
Section 1	27	9.30			0	0	27	0	27
Section 2	109	26.20			0	0	109	0	109
Section 3	257	72.20			0	0	257	0	257
Section 4	227	58.30			0	0	227	0	227
Section 5	119	25.20			0	0	119	0	119
Section 6	15	2.60			0	0	15	0	15
Section 7	6	1.50			0	0	6	0	6
Section 8	102	22.70			0	0	102	0	102
<b>Memorial Creek</b>									
Section 1	65	19.30			0	0	65	0	65
Section 2	88	25.20			0	0	88	0	88
Section 3	36	10.40			0	0	36	0	36
Section 4	41	11.10			0	0	41	0	41
Section 5	29	9.10			0	0	29	0	29
<b>Memorial Creek Estates</b>									
Section 1	72	22.60			0	0	72	0	72
Section 2	67	18.80			0	0	67	0	67
Section 3	47	12.10			0	0	47	0	47
Section 4	48	15.00			0	0	48	0	48
<b>Brentwood Lakes</b>									
Section 1	16	6.50			0	0	16	0	16
Section 2	44	18.60			0	0	41*	0	41
<b>Memorial Springs</b>									
Section 1	78	23.30			0	0	78	0	78
Section 2	32	6.70			0	0	32	0	32
Section 3	38	20.20			0	0	38	0	38
Section 4	170	49.90			0	0	168	0	168
Section 5	54	10.50			0	0	54	0	54
Section 6	58	16.10			0	0	58	0	58
Section 7	60	13.20			0	0	60	0	60
Section 8	51	17.90			0	0	51	0	51
Section 9	80	24.20			0	0	80	0	80
Section 10	68	14.00			0	0	68	0	68
Section 11	77	13.50			0	0	77	0	77
Section 12	62	12.50			0	0	62	0	62
Section 13	76	13.20			0	0	72	0	72
Section 14	83	14.50			0	0	83	0	83
<b>Stonebrook Estates</b>									
Section 1	79	33.20			0	0	79	0	79
Section 2	56	21.02			0	0	56	0	56
<b>Totals</b>	<b>2,998</b>	<b>807.42</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,995</b>	<b>0</b>	<b>2,995</b>

\* One home constructed on three lots.

## **FUTURE DEVELOPMENT**

The development of all but approximately 20 acres of the developable land located within the District, exclusive of certain easements, rights-of-ways, and other land not available for development, has been completed as is described above under the caption "DEVELOPMENT AND HOME CONSTRUCTION." The remaining approximately 20 acres of currently undeveloped land located within the District that are available for future development are owned by multiple parties. With respect to approximately 12 of such acres, a developer is planning to construct approximately 50 single-family residential lots. The District is unaware of any definitive development plan for the remaining acreage. Since none of the owners of any of such currently undeveloped land located within the District is under any obligation to the District to develop any portion thereof according to any timetable, or at all, the District cannot represent that any portion thereof will be developed, nor can the District predict the type of development that will be undertaken thereon. If any currently undeveloped portion of the District is eventually developed, additions to the District's water, sanitary sewer and drainage systems required to service such undeveloped acreage may be financed by future issues of the District's bonds. The District's Engineer currently estimates that the \$6,570,000 authorized bonds which are currently unissued are adequate to finance the construction of such facilities to provide service to all of the currently undeveloped portions of the District. In addition to the components of the District's System that the District has financed with the proceeds of the sale of the Prior Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds and the Remaining Outstanding Bonds. See "THE BONDS - Issuance of Additional Debt," "DISTRICT DEBT - Debt Service Requirements," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."

## **THE SYSTEM**

### **Regulation**

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

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. Withdrawal of groundwater and issuance of water well permits are subject to the regulatory authority of the Harris-Galveston Coastal Subsidence District. The total number of connections estimated at this time for the District upon the full development of its approximately 906 acres is 3,063 with a total estimated population of 10,250 people. The following descriptions are based upon information supplied by the District's Engineer.

### **Description**

The System presently serves all of the single-family development in the District, including Glenloch Sections 1 and 2; Memorial Chase, Sections 1 through 8; Brentwood Lakes, Sections 1 and 2; Memorial Creek, Sections 1 through 5; Memorial Creek Estates, Sections 1 through 4, Memorial Springs, Sections 1 through 14 and Stonebrook Estates, Sections 1 and 2. Water supply and distribution, wastewater collection and treatment, and storm drainage facilities to serve all of such sections were financed by the District with portions of the proceeds of the Prior Bonds and certain non-reimbursable contributions made by certain of the developers of such land served by such facilities in accordance with the rules of the TCEQ. In addition to the components of the District's System that the District has financed with the proceeds of the sale of the Prior Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See "THE BONDS - Issuance of Additional Debt," "PLAN OF FINANCING," "DISTRICT DEBT - Debt Service Requirements," and "INVESTMENT CONSIDERATIONS - Future Debt."



## **Wastewater Treatment**

Wastewater from the District is being treated at the District's existing 995,000 gallon-per-day ("g.p.d.") wastewater treatment plant, which the District financed with portions of the proceeds of the sale of the Prior Bonds. According to the District's Engineer, the facility contains adequate wastewater treatment capacity to provide service to all existing and proposed connections contemplated for the District upon full development of the District.

## **Water Supply**

The District's existing permanent water supply system was financed with portions of the proceeds of the Prior Bonds and other funds lawfully available to the District, and currently includes two water wells totaling 2,500 gallon-per-minute ("g.p.m.") of capacity, ground storage tanks aggregating 840,000 gallons of capacity, hydropneumatic pressure tanks aggregating 50,000 gallons of capacity, booster pumps aggregating 6,291 g.p.m. of capacity, and appurtenant facilities, as well as emergency water supply interconnection lines with the adjoining Charterwood Municipal Utility District, Harris County Municipal Utility District No. 367 and Louetta North Public Utility District. According to the District's Engineer, the District has sufficient water capacity to serve 3,145 connections within the District, including the 2,998 single-family residential lots that have been developed within the District.

The EPA maximum level for arsenic in drinking water was reduced, effective January 1, 2006, from 50 micrograms per liter to 10 micrograms per liter. Water Well No. 2 (located at Water Plant No. 2) was taken offline temporarily by the District on the effective date of the new regulations because it was producing arsenic (As) in the range of 10 to 16 micrograms per liter. The North Harris County Regional Water Authority (the "Authority") (see "Subsidence and Conversion to Surface Water Supply" below) has constructed a water transmission line to the District's ground storage tank located at Water Plant No. 2. The District is receiving surface water from the Authority via the transmission line. This purchased water is being blended with the water currently being pumped from Water Well No. 2 in amounts calculated to reduce the concentration of As in the water delivered to customers in the District below the maximum level set by the EPA.

## **100-Year Flood Plain**

The Federal Emergency Management Agency Flood Hazard Boundary Map currently in effect, which covers the land located in the District, indicates that no portion of the District is located in the 100-year flood plain of any watercourse. The District, in conformance with TCEQ directive, has adopted a minimum elevation of twelve inches above the 100-year flood elevation as the minimum habitable floor slab elevation for structures within the District.

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

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

## **Subsidence and Conversion to Surface Water Supply**

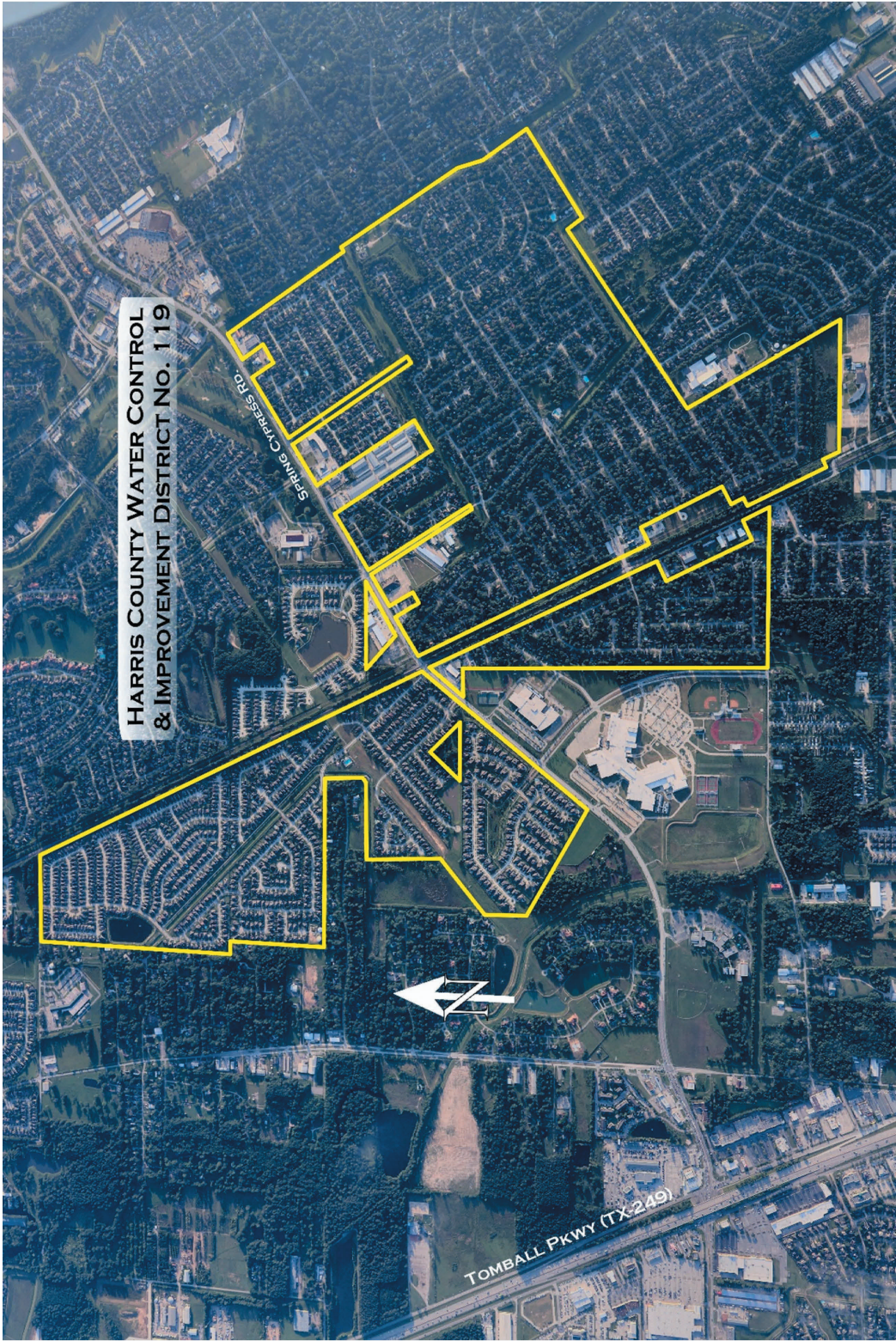
The District is within the boundaries of the Harris-Galveston Subsidence District (the “Subsidence District”) which regulates groundwater withdrawal. The District’s authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in areas within the Subsidence District’s jurisdiction. In furtherance of the Subsidence District’s mandate to reduce groundwater pumpage and convert to surface water, the North Harris County Regional Water Authority (the “Authority”) was created with the responsibility, among other things, to reduce groundwater usage in and to provide surface water to the groundwater permittees, including the District, within its boundaries. The Authority has entered into a Water Supply Contract with the City of Houston, Texas (“Houston”) to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan (“GRP”) and obtained Subsidence District approval of its GRP. The Authority’s GRP sets forth the Authority’s plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District is included within the Authority’s GRP.

The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees imposed on the District for groundwater pumped by the District), user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, \$4.60 per 1,000 gallons based on the amount of groundwater pumped and \$5.05 per 1,000 gallons of surface water purchased from the Authority. The Authority has to date issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will issue substantially more bonds by the year 2030 to finance the Authority’s project costs. The District has the option to pay its pro rata portion of any Authority financing to the Authority in cash and receive a credit from the Authority on its pumpage fee attributable to such payment, or to not make such capital contribution and pay the pumpage fee and receive no such credit.

Under the Subsidence District regulations and the GRP, the Authority was required to limit groundwater withdrawals to no more than 70% of the total water demand within the Authority’s GRP by January 2010. Additionally, the Subsidence District requires that the Authority limit groundwater withdrawals to no more than 40% of the total water demand within the Authority’s GRP beginning in 2025; and limit groundwater withdrawals to no more than 20% of the total water demand within the Authority’s GRP beginning in 2035. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a \$9.58 per 1,000 gallons disincentive fee penalty (“Disincentive Fees”) imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand within the Authority’s GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely seek monetary or other penalties against the District. As stated in “Water Supply” above, the Authority has constructed a water transmission line to the District’s ground storage tank located at Water Plant No. 2. The District is receiving surface water from the Authority.

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

**AERIAL PHOTOGRAPH OF THE DISTRICT**  
(taken June 2021)

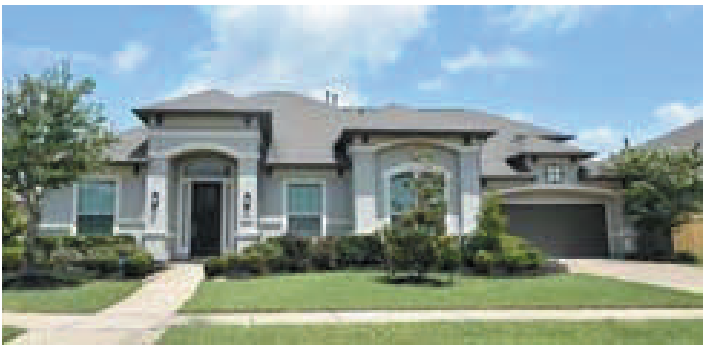




PHOTOGRAPHS TAKEN WITHIN THE DISTRICT  
(taken June 2021)



**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**  
**(taken June 2021)**



## DISTRICT DEBT

### General

The following calculations relate to the Bonds and the Remaining Outstanding Bonds. The District is empowered to incur debt to be paid from revenues raised by taxes levied against all taxable property located within the District, and various other political subdivisions of government that overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxes levied against all or a portion of the property within the District.

2020 Assessed Valuation .....	\$	672,989,712 (a)
(As of January 1, 2020)		
See "TAX DATA" and "TAX PROCEDURES"		
2021 Preliminary Valuation .....	\$	722,855,357 (b)
(As of January 1, 2021)		
See "TAX DATA" and "TAX PROCEDURES"		
Direct Debt:		
Remaining Outstanding Bonds .....	\$	20,115,000
The Bonds .....		<u>9,065,000</u>
Total .....	\$	29,180,000 (c)
Estimated Overlapping Debt .....	\$	<u>34,788,334 (c)</u>
Total Direct and Estimated Overlapping Debt .....	\$	63,968,334 (c)
Direct Debt Ratio		
: as a percentage of 2020 Assessed Valuation.....		4.34 %
: as a percentage of 2021 Preliminary Valuation.....		4.04 %
Direct and Overlapping Debt Ratio		
: as a percentage of 2020 Assessed Valuation.....		9.51 %
: as a percentage of 2021 Preliminary Valuation.....		8.85 %
Bond Fund Balance Estimated as of the Date of Delivery of the Bonds .....	\$	3,264,835 (d)
General Fund Balance as of June 14, 2021.....	\$	3,383,633
2020 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax .....	\$	0.38
Maintenance Tax .....		<u>0.07</u>
Total .....	\$	0.45
Average Percentage of Total Tax Collections (2010-2019) as May 31, 2021 .....		99.92 %
Percentage of Tax Collections of 2020 Levy as of May 31, 2021		
(In process of collection) .....		98.39 %

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

- (b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2021, as reflected on the District's preliminary 2021 tax roll supplied to the District by the Appraisal District, and includes the preliminary 2021 values resulting from the construction of taxable improvements from January 1, 2020, through December 31, 2020. When the Appraisal District supplies a taxing entity with a preliminary tax roll, such preliminary tax roll does not include personal property values. Therefore, this amount includes the 2020 taxable value of personal property located within the District. The taxable value of personal property on the District's 2020 tax roll was \$10,823,381. The District's ultimate 2021 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2021. See "TAX PROCEDURES."
- (c) See "PLAN OF FINANCING." In addition to the components of the District's System that the District has financed with the proceeds of the sale of the Prior Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See "THE BONDS - Issuance of Additional Debt," "DISTRICT DEBT - Debt Service Requirements," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."
- (d) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Bond Fund. Such fund balance reflects the timely payment by the District of the debt service requirements on the Outstanding Bonds that were due on April 1, 2021, and the contribution of \$16,000 to the refunding of the refunded Bonds. The District's remaining debt service payments for 2021, which are due on October 1, 2021, total \$1,851,309, and consist of principal of and interest on the Remaining Outstanding Bonds and the Bonds.

## Estimated Direct and Overlapping Debt Statement

The following table indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the Assessed Valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information and no person is entitled to rely upon such information as being accurate or complete. Further, certain of the entities listed below may have issued additional bonds since the date cited.

<u>Taxing Jurisdiction</u>	<u>Debt as of May 1, 2021</u>	<u>Estimated Overlapping Percent</u>	<u>Amount</u>
Harris County <sup>(i)</sup>	\$1,672,657,125	0.1332%	\$2,227,237
Harris County Department of Education	20,185,000	0.1332%	26,877
Harris County Flood Control District	334,270,000	0.1332%	445,099
Harris County Hospital District	81,540,000	0.1332%	108,575
Port of Houston Authority	492,439,397	0.1332%	655,711
Lone Star College System	518,505,000	0.2982%	1,545,942
Klein Independent School District	1,071,025,000	2.7804%	<u>29,778,893</u>
Total Estimated Overlapping Debt			\$34,788,334
Total Direct Debt (the Bonds and the Remaining Outstanding Bonds)			<u>29,180,000</u>
Total Direct and Estimated Overlapping Debt			\$63,968,334

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

## Debt Ratios

	<u>% of 2020 Assessed Valuation</u>	<u>% of 2021 Preliminary Valuation</u>
Direct Debt.....	4.34%	4.04%
Direct and Estimated Overlapping Debt .....	9.51%	8.85%

Under Texas law ad valorem taxes levied by each taxing authority other than the District create a lien which is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administration and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy and collect ad valorem taxes for operation and maintenance purposes, and such taxes have been authorized by the duly qualified voters of the District at a rate not to exceed \$0.25 per \$100 of Assessed Valuation. The District levied a maintenance tax of \$0.07 per \$100 of Assessed Valuation in 2020. See "TAX DATA - Maintenance Tax."



**Debt Service Requirements**

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

<b>Year Ending December 31</b>	<b>Current Total Debt Service on Outstanding Bonds</b>	<b>Less: Debt Service on Refunded Bonds</b>	<b>Plus: The Bonds</b>		<b>Total New Debt Service Requirements</b>
			<b>Principal</b>	<b>Interest</b>	
2021	\$2,365,283	\$175,213	\$105,000	\$31,750	\$2,326,821
2022	2,366,263	350,425	45,000	186,300	2,247,138
2023	2,365,725	375,425	75,000	184,500	2,249,800
2024	2,268,900	374,550	75,000	181,500	2,150,850
2025	2,269,375	373,675	75,000	178,500	2,149,200
2026	2,374,500	377,800	85,000	175,500	2,257,200
2027	2,214,450	651,600	360,000	172,100	2,094,950
2028	2,240,650	639,400	355,000	164,900	2,121,150
2029	2,240,425	632,200	355,000	157,800	2,121,025
2030	2,323,800	1,899,800	1,615,000	150,700	2,189,700
2031	2,324,075	1,906,200	1,650,000	118,400	2,186,275
2032	2,331,550	1,919,800	1,695,000	85,400	2,192,150
2033	1,875,513	1,470,200	1,285,000	51,500	1,741,813
2034	1,874,675	1,450,800	1,290,000	25,800	1,739,675
2035	1,516,750				1,516,750
2036	1,529,250				1,529,250
2037	1,540,375				1,540,375
2038	1,546,875				1,546,875
	<b>\$37,568,434</b>	<b>\$12,597,088</b>	<b>\$9,065,000</b>	<b>\$1,864,650</b>	<b>\$35,900,997</b>

Average Annual Requirements: (2021-2032) ..... \$2,190,522  
 Maximum Annual Requirement: (2021) ..... \$2,326,821

See “TAX DATA - Tax Rate Calculations” and “INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates” for a discussion of the District's projected tax rates and the effect of the Bonds thereon.

## TAX DATA

### Debt Service Tax

All taxable property located within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds, the Remaining Outstanding Bonds and any future tax supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of 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. The District has levied a debt service tax of \$0.38 per \$100 of Assessed Valuation for 2020.

### Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. On August 14, 1976, the District's voters authorized the levy of such a maintenance tax in an amount not to exceed \$0.25 per \$100 of Assessed Valuation. Such tax is levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Remaining Outstanding Bonds and any parity bonds which may be issued in the future. The District levied a maintenance tax of \$0.07 per \$100 of Assessed Valuation for 2020.

### Tax Rate Limitation

Debt Service: Unlimited (no legal limit as to rate or amount)  
 Maintenance: \$0.25 per \$100 Assessed Valuation

### Historical Values and Tax Collection History

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

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate(a)</u>	<u>Adjusted Levy</u>	<u>% Collections</u>	
				<u>Current &amp; Prior Years(b)</u>	<u>Year Ended 9/30</u>
2010	\$386,660,685	\$0.55	\$2,126,442	100.00%	2011
2011	388,935,217	0.55	2,139,011	100.00	2012
2012	379,185,314	0.59	2,237,125	100.00	2013
2013	396,733,725	0.59	2,340,244	99.96	2014
2014	436,602,346	0.54	2,357,460	99.96	2015
2015	492,971,227	0.52	2,563,059	99.96	2016
2016	540,975,071	0.48	2,596,238	99.92	2017
2017	578,242,715	0.48	2,774,617	99.92	2018
2018	597,880,443	0.48	2,869,757	99.91	2019
2019	643,671,931	0.45	2,896,480	99.57	2020
2020	672,989,712	0.45	3,028,440	98.39(c)	2021

<sup>(a)</sup> Per \$100 of Assessed Valuation.

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

<sup>(c)</sup> As of May 31, 2021. In process of collection.

## Tax Rate Distribution

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Debt Service	\$0.38	\$0.38	\$0.41	\$0.41	\$0.44
Maintenance	<u>0.07</u>	<u>0.07</u>	<u>0.07</u>	<u>0.07</u>	<u>0.04</u>
Total	\$0.45	\$0.45	\$0.48	\$0.48	\$0.48

## Analysis of Tax Base

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

<u>Type of Property</u>	<u>2020</u>		<u>2019</u>		<u>2018</u>	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$113,954,274	16.93%	\$112,667,140	17.50%	\$111,433,647	18.64%
Improvements	572,617,796	85.06%	544,890,098	84.65%	499,934,558	83.62%
Personal Property	10,823,381	1.61%	9,459,348	1.47%	8,750,310	1.46%
Exemptions	<u>(24,405,739)</u>	<u>-3.60%</u>	<u>(23,344,655)</u>	<u>-3.63%</u>	<u>(22,238,072)</u>	<u>-3.72%</u>
TOTAL	\$672,989,712	100.00%	\$643,671,931	100.00%	\$597,880,443	100.00%

<u>Type of Property</u>	<u>2017</u>		<u>2016</u>	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$111,964,628	19.36%	\$108,733,117	20.10%
Improvements	480,183,643	83.04%	445,155,660	82.29%
Personal Property	9,836,699	1.70%	9,374,739	1.73%
Exemptions	<u>(23,742,255)</u>	<u>-4.11%</u>	<u>(22,288,445)</u>	<u>-4.12%</u>
TOTAL	\$578,242,715	100.00%	\$540,975,071	100.00%

## Principal 2020 Taxpayers

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

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2020 Tax Roll</u>	<u>% of 2020 Tax Roll</u>
Hua Kuo Company, Inc.	Land and Improvements	\$4,401,788	0.65%
9702 Spring Cypress LLC	Land and Improvements	3,900,000	0.58%
DHSS LLC	Land, Improvements and Personal Property	2,556,926	0.38%
Centerpoint Energy	Personal Property	2,495,350	0.37%
Bouillon Holdings LLC	Land and Improvements	2,322,655	0.35%
Petereits 213 West Southmore, Ltd.	Land and Improvements	1,984,442	0.29%
Military Pilot Supply of Texas Inc	Personal Property	1,556,819	0.23%
Willowbrook Hospitality Group LLC	Land and Improvements	1,412,361	0.21%
Sterling Academies LLC	Land, Improvements and Personal Property	1,377,105	0.20%
T & T Attractions Inc	Land and Improvements	<u>1,250,000</u>	<u>0.19%</u>
		\$23,257,446	3.45%

**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 occurs beyond the 2020 Assessed Valuation or the 2021 Preliminary Valuation. The calculations also assume collection of 95% of taxes levied, no use of District funds on hand to augment tax receipts, and the sale of no additional bonds by the District. As outlined above under the caption “Historical Values and Tax Collection History,” as of May 31, 2021, the District has collected an average annual percentage of its property taxes of 99.92% for the years 2010 through 2019, and has collected 98.39% of its 2020 taxes as of such date.

Average Annual Debt Service Requirements (2021-2032).....	\$2,190,522
Tax Rate of \$0.35 on the 2020 Assessed Valuation (\$672,989,712) produces.....	\$2,237,691
Tax Rate of \$0.32 on the 2021 Preliminary Valuation (\$722,855,357) produces.....	\$2,197,480
Maximum Annual Debt Service Requirement (2021) .....	\$2,326,821
Tax Rate of \$0.37 on the 2020 Assessed Valuation (\$672,989,712) produces.....	\$2,365,559
Tax Rate of \$0.34 on the 2021 Preliminary Valuation (\$722,855,357) produces.....	\$2,334,823

The District levied a debt service tax in 2020 of \$0.38, plus a maintenance tax of \$0.07 per \$100 of Assessed Valuation. As the above table illustrates, the District’s 2020 debt service tax levy of \$0.38 per \$100 of Assessed Valuation is sufficient to pay the Average Annual Debt Service Requirements and the Maximum Annual Debt Service Requirement on the Bonds and the Remaining Outstanding Bonds, assuming taxable values in the District at the level of the District's 2020 Assessed Valuation and the 2021 Preliminary Valuation, assuming a tax collection rate of 95%, no use of District funds on hand to augment tax receipts, and the issuance of no additional bonds by the District. In addition, the District has collected an average of 99.92% of its tax levies for the period 2010 through 2019 as of May 31, 2021, and has collected 98.39% of its 2020 taxes, which are in the process of collection, as of such date. Moreover, the District's Bond Fund balance is estimated to be \$3,264,835 after issuance of the Bonds. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see “APPENDIX B - INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS”). Therefore, given such factors, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Remaining Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District levied for 2020 - \$0.38 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments,” “ - Maximum Impact on District Tax Rates” and “TAX PROCEDURES.”

**Estimated Overlapping Taxes**

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

<u>Taxing Jurisdiction</u>	<u>2020 Tax Rate Per \$100 of A.V.</u>
The District*	\$0.450000
Harris County	0.391160
Harris County Department of Education	0.004993
Harris County Flood Control District	0.031420
Harris County Hospital District	0.166710
Port of Houston Authority	0.009910
Klein Independent School District	1.337300
Lone Star College System	0.107800
Harris County Emergency Services District No. 11	0.033334
Harris County Emergency Services District No. 16	<u>0.050000</u>
Total Tax Rate	\$2.582627

\* Consisting of debt service and maintenance tax components of \$0.38 and \$0.07 per \$100 of Assessed Valuation, respectively.

## TAX PROCEDURES

### Property Tax Code and County-Wide Appraisal District

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

### Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of \$3,000, or between \$5,000 and \$12,000 of taxable valuation depending on the disability rating of the veteran. A veteran who receives a disability rating of 100%, and, under certain circumstances, the surviving spouse of such veteran, is entitled to the exemption for the full amount of the residential homestead. A partially disabled

veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. For the 2021 tax year, the District granted a \$15,000 exemption for the elderly and disabled in the District.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property as defined by the Property Tax Code. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. For tax year 2011 and prior applicable years, the exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is further limited to tangible personal property acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. For the tax year 2012 and subsequent years, a taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

### **General Residential Homestead Exemption**

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2021 tax year, the District has not granted a general residential homestead exemption.

### **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. The Property Tax Code requires the Appraisal District to implement a plan for periodic

reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

### **District and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

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

### **Rollback of Operation and Maintenance Tax Rate**

Chapter 49 of the Texas Water Code, as amended, 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. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

#### *Special Taxing Units*

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

#### *Developed Districts*

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

### *Developing Districts*

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

### *The District*

The District's Board of Directors adopted a resolution designating the District as a Developed District for the 2020 tax year. 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.

### **Agricultural, Open Space, Timberland and Inventory Deferment**

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including such taxes for a period of three (3) years for agricultural use and for a period of five (5) years for timberland and open space land prior to the loss of the designation. According to the District's Tax Assessor/Collector, as of January 1, 2021, no land within the District was designated for agricultural use, open space or timberland.

### **Tax Abatement**

The City of Houston and Harris County may designate all or part of the District as a reinvestment zone, and the District, Harris County, and (if it were to annex the area) the City of Houston may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

### **Levy and Collection of Taxes**

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain



circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent and as an alternative to the penalty described in the foregoing sentence, an additional penalty of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax penalty and interest, may, under certain circumstances, be imposed by the District. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. A delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. The District may waive penalties and interest on delinquent taxes only if an error or omission of a representative of the District, including the Appraisal District, caused the failure of the taxpayer to pay taxes. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances and mandatory installment agreements for delinquent taxes on residential homestead property in certain circumstances. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months (as determined by the District. Additionally, the owner of a residential homestead property who is a person sixty five (65) years of age or older is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

### **District's Rights in the Event of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units (see "TAX DATA - Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years of foreclosure and all other property within six (6) months of foreclosure) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS - Tax Collection Limitations."

### **Reappraisal of Property After Disaster**

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

## **Tax Payment Installments after Disaster**

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

## **INVESTMENT CONSIDERATIONS**

### **General**

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

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

**Economic Factors:** A substantial percentage of the assessed valuation of the property located within the District is attributable to the current market value of single-family residences that have been constructed within the District. The market value of such homes is related to general economic conditions affecting the demand for residences, and can be significantly affected by factors such as interest rates, construction costs, credit availability, energy availability and cost, and consumer demand. Further declines in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing and the values of existing homes (see "Potential Effects of Oil Price Fluctuations on the Houston Area" below). Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although development in the District has occurred as described in this Official Statement under the caption "DEVELOPMENT AND HOME CONSTRUCTION," the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date.

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

**Credit Markets and Liquidity in the Financial Markets:** Interest rates and the availability of mortgage and development funding have a direct impact on development and homebuilding activity, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders

are able to finance the construction of new homes for sale. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District and of homebuilders to initiate the construction of new homes for sale. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction within the District. In addition, since the District is located approximately 21 miles northwest of the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect development and homebuilding plans in the District and restrain the growth of the District's property tax base.

**Landowner Obligation to the District:** There is no commitment by or legal requirement of any owner of any of the remaining approximately 20 acres of currently undeveloped land located within the District that is available for future development to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any home builder to proceed at any particular pace with the construction of homes in the District, and there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of home construction activity within the District. See "FUTURE DEVELOPMENT."

### **Maximum Impact on District Tax Rates**

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The 2020 Assessed Valuation of property located within the District (see "TAX DATA") is \$672,989,712. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Remaining Outstanding Bonds will be \$2,326,821 (2021) and the Average Annual Debt Service Requirements will be \$2,190,522 (2021 through 2032, inclusive.) Assuming no increase to or decrease from the 2020 Assessed Valuation, no use of other District funds on hand to augment tax receipts, and the issuance of no additional bonds by the District, tax rates of \$0.37 and \$0.35 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements on the Bonds and the Remaining Outstanding Bonds, respectively. The 2021 Preliminary Valuation of property located within the District (see "TAX DATA") is \$722,855,357. Assuming no increase to or decrease from the 2021 Preliminary Valuation, no use of other District funds on hand to augment tax receipts, and the issuance of no additional bonds by the District, tax rates of \$0.34 and \$0.32 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements on the Bonds and the Remaining Outstanding Bonds, respectively. See "TAX DATA - Tax Rate Calculations."

The District levied a debt service tax in 2020 of \$0.38, plus a maintenance tax of \$0.07 per \$100 of Assessed Valuation. As is illustrated above, the District's 2020 debt service tax levy of \$0.38 per \$100 of Assessed Valuation is sufficient to pay the Average Annual Debt Service Requirements and the Maximum Annual Debt Service Requirement on the Bonds and the Remaining Outstanding Bonds, assuming taxable values in the District at the level of the District's 2020 Assessed Valuation and the 2021 Preliminary Valuation, assuming a tax collection rate of 95%, no use of District funds on hand to augment tax receipts, and the issuance of no additional bonds by the District. In addition, the District has collected an average of 99.92% of its tax levies for the period 2010 through 2019 as of May 31, 2021, and has collected 98.39% of its 2020 taxes, which are in the process of collection, as of such date. Moreover, the District's Bond Fund balance is estimated to be \$3,264,835 after issuance of the Bonds. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS"). Therefore, given such factors, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Remaining Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District levied for 2020 - \$0.38 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. In addition to the components of the District's System that the District has financed with the proceeds of the sale of the Prior Bonds, the District expects to finance its portion of the cost

of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See “Future Debt” below, “THE BONDS - Issuance of Additional Debt,” “PLAN OF FINANCING,” “DISTRICT DEBT - Debt Service Requirements” and “THE SYSTEM.”

Increases in the District's tax rate to higher levels than the rate which the District levied in 2020 may have an adverse impact upon future development of the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

### **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) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a major taxpayer, (c) market conditions affecting the marketability of taxable property within the District at a foreclosure sale of such property, (d) adverse effects on marketability from a taxpayer's limited right to redeem its foreclosed property, or (e) insufficient foreclosure bids to satisfy the tax liens of all state and local taxing authorities on the parity liens on the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of the property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a 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 assessed against such taxpayer. See “TAX PROCEDURES.” In addition to automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and second, a debtor may challenge, and a bankruptcy court may reduce the amount of any taxes assessed against the debtor, including taxes that have already been paid.

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

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

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

## **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. Texas law requires a district, such as the District, to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

Notwithstanding noncompliance by a district with Texas law requirements, the District could file a voluntarily bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning District relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

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

The District may not be placed into bankruptcy involuntarily.

## **Future Debt**

The District reserved in the Bond Order the right to issue the remaining \$6,570,000 in unlimited tax bonds authorized but unissued for waterworks, sanitary sewer and drainage facilities, and \$6,858,207.61 authorized but unissued unlimited tax refunding bonds, and such additional bonds as may hereafter be approved by both the Board of Directors and the voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds described above for waterworks, sanitary sewer and drainage facilities, and for refunding purposes, which have heretofore been authorized by the voters of the District, may be issued by the District from time to time as needed. The issuance of such \$6,570,000 in bonds for waterworks, wastewater and drainage facilities is also subject to TCEQ authorization. In addition to the components of the District's System that the District has financed with the proceeds of the sale of the Prior Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See "THE BONDS - Issuance of Additional Debt," "PLAN OF FINANCING," "DISTRICT DEBT - Debt Service Requirements" and "THE SYSTEM."

The District's Engineer currently estimates that the aforementioned \$6,570,000 authorized bonds which remain unissued will be adequate to finance the construction of all water, wastewater, and drainage facilities to provide service to all of the currently undeveloped portions of the District. See "FUTURE DEVELOPMENT." If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds and the Remaining Outstanding Bonds. See "THE BONDS - Issuance of Additional Debt."

## **Competitive Nature of Houston Residential Housing Market**

The housing industry in the Houston area is very competitive. The respective competitive positions of land owner(s), developer(s) or home builder(s) which might attempt future development or home building projects in the District in the sale of developed lots or in the construction and sale of single-family residential units are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

## **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. See “LEGAL MATTERS - Tax Exemption.”

## **Marketability**

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

## **Environmental Regulations**

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

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

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

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

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

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

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

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

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

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

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

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

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

stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

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

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

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

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

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

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

## **Extreme Weather Events**

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



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

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

#### *Specific Flood Type Risks*

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

#### **Infectious Disease Outbreak (COVID-19)**

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the “State”) because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment except in counties with an “area with high hospitalizations” where a county judge may impose COVID-19 related mitigation strategies. Harris County is not currently an “area with high hospitalizations.” The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the decrease in the number of active COVID-19 cases and the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

## **Potential Effects of Oil Price Fluctuations on the Houston Area**

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

## **Changes in Tax Legislation**

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

## **LEGAL MATTERS**

### **Legal Opinions**

The District will furnish to the Underwriters a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Marks Richardson PC, Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District and that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described below under the caption "TAX MATTERS."

In addition to serving as Bond Counsel, Marks Richardson PC, also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

### **Legal Review**

In its capacity as Bond Counsel, Marks Richardson PC has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," "PLAN OF FINANCING – Escrow Agreement," and "- Defeasance of Refunded Bonds," "THE DISTRICT - General," and - "Management of the District - Bond Counsel and General

Counsel,” “TAX PROCEDURES” and “LEGAL MATTERS - Legal Opinions” and “TAX MATTERS,” solely to determine whether such information fairly summarizes the procedures and documents referred to therein and is in accordance with applicable state law with regard to the sale of the Bonds. Bond Counsel has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm’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 other information contained herein.

## **TAX MATTERS**

### **Tax Exemption**

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion.

Bond Counsel's opinion will state that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code").

Except as stated above, Bond Counsel will express no opinion as to any federal, state, or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of the Bonds. The law upon which Bond Counsel has based its opinion is subject to change by the Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. There can be no assurance that such law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the Bonds.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Order pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District with respect to matters solely within the knowledge of the District, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Order, or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain "S" Corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations and individuals otherwise qualifying for the earned income credit. These categories of prospective purchasers should consult their tax advisors as to the applicability of these consequences.

**INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.**

Under Section 6012 of the Code, holders of tax exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimus amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

### **Qualified Tax-Exempt Obligations for Financial Institutions**

The District has designated the Bonds as "qualified tax exempt obligations" within the meaning of Section 265(b)(3)(B) of Code. Pursuant to that section of the Code, a qualifying financial institution will be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated "bank qualified" investments.

### **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.

### **Tax Accounting Treatment of Original Issue Premium Bonds**

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

### **NO-LITIGATION CERTIFICATE**

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

### **NO MATERIAL ADVERSE CHANGE**

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

## VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS

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

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

## SOURCES OF INFORMATION

### General

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

The financial statements of the District as of April 30, 2020, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report herein.

### Experts

The information contained in this Official Statement relating to engineering, to the description of the System generally and, in particular, the engineering information included in the sections captioned "THE DISTRICT," "DEVELOPMENT AND HOME CONSTRUCTION," "FUTURE DEVELOPMENT," and "THE SYSTEM," has been provided by A&S Engineers, Inc., Houston, Texas. Such information has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" has been provided by the Harris County Appraisal District and Wheeler and Associates, Inc. The District has included certain information herein in reliance upon Wheeler and Associates, Inc.'s authority as an expert in the field of tax assessing and real property appraisal. The District has included certain information herein in reliance upon the Appraisal District's authority as an expert in the field of tax assessing and real property appraisal.

## GENERAL CONSIDERATIONS

### Updating of Official Statement

If, subsequent to the date of the Official Statement, to and including the date the Underwriters are no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the "SEC"), the District learns, or is notified by the Underwriters, of any adverse event which

causes the Official Statement to be materially misleading, and unless the Underwriters elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriters an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriters; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the “end of the underwriting period” as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the “end of the underwriting period.”

### **Certification as to Official Statement**

At the time of payment for and delivery of the Bonds, the District will furnish the Underwriters a certificate, executed by appropriate officers of the Board, acting in their official capacities, to the substantial effect that to the best of their knowledge and belief: (a) the information, descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data contained in this Official Statement, of or pertaining to entities other than the District and their activities are concerned, such statements and data have been obtained from sources which the District believes to be reliable and that the District has no reason to believe that they are untrue in any material respect or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; however, the District has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly approved by the Board of Directors of the District as of the date specified on the first page hereof.

### **CONTINUING DISCLOSURE OF INFORMATION**

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

### **Annual Reports**

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “SELECTED FINANCIAL INFORMATION” and “TAX DATA” and in “APPENDIX B - INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS.” The District will update and provide this information within six months after the end of each fiscal year ending in or after 2021.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District's audit is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements within the required time, and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

## **Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect beneficial owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

## **Availability of Information**

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

## **Limitations and Amendments**

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

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

agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**Compliance With Prior Undertakings**

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

This Official Statement was approved by the Board of Directors of Harris County Water Control and Improvement District No. 119 as of the date shown on the first page hereof.

/s/ William Manning  
President, Board of Directors  
Harris County Water Control and  
Improvement District No. 119

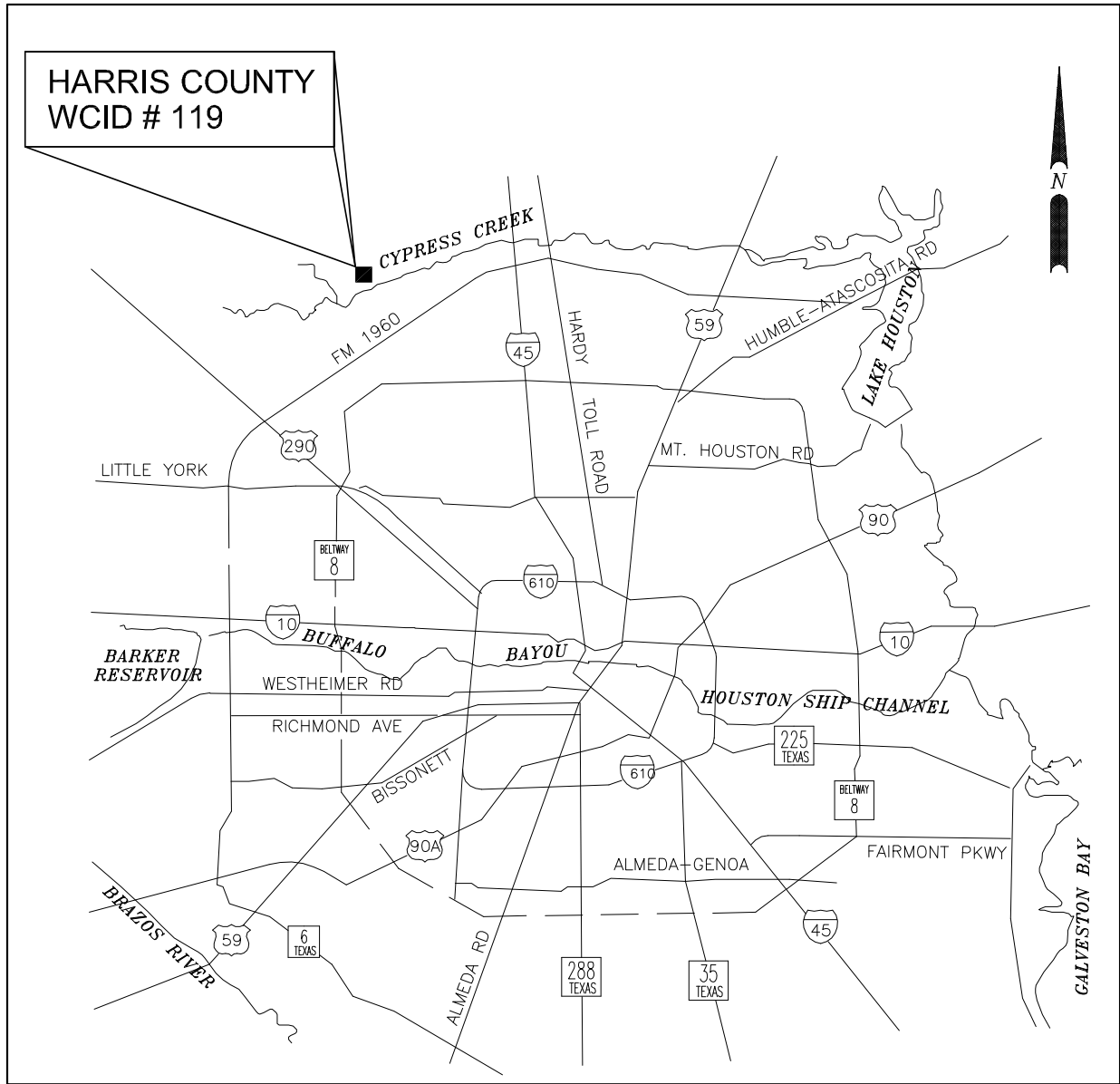
ATTEST:

/s/ Salvador Andrade  
Secretary, Board of Directors  
Harris County Water Control and  
Improvement District No. 119



APPENDIX A

LOCATION MAP



LOCATION MAP

FILE: H:\190000\Exhibits\Location Map.dwg January 21, 2013 - 11:51 AM kwm

**A&S ENGINEERS, INC.**  
municipal engineering services

10377 Stella Link Road, Houston, TX 77025-5445  
Phone 713/942-2700 Fax 713/942-2799  
Texas Engineering Registration No. F-000802

NTS

JANUARY 2013



**APPENDIX B**

**HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 119**

**HARRIS COUNTY, TEXAS**

**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS**

**APRIL 30, 2020**



**Harris County Water Control and Improvement District No. 119**

Harris County, Texas

Independent Auditor's Report and Financial Statements

April 30, 2020





# Harris County Water Control and Improvement District No. 119

April 30, 2020

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## Independent Auditor's Report

Board of Directors  
Harris County Water Control and Improvement District No. 119  
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Water Control and Improvement District No. 119 (the District), as of and for the year ended April 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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



***Opinions***

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

***Other Matters***

*Required Supplementary Information*

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

*Other Information*

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

**BKD, LLP**

Houston, Texas  
September 11, 2020

# Harris County Water Control and Improvement District No. 119

## Management's Discussion and Analysis

### April 30, 2020

#### **Overview of the Financial Statements**

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

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

#### **Government-wide Financial Statements**

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

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

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

# **Harris County Water Control and Improvement District No. 119**

## **Management's Discussion and Analysis (Continued)**

### **April 30, 2020**

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

#### **Fund Financial Statements**

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

#### **Governmental Funds**

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

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

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

#### **Notes to Financial Statements**

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

**Harris County Water Control and Improvement District No. 119**  
**Management's Discussion and Analysis (Continued)**  
**April 30, 2020**

**Financial Analysis of the District as a Whole**

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

**Summary of Net Position**

	<b>2020</b>	<b>2019</b>
Current and other assets	\$ 13,989,620	\$ 13,886,636
Capital assets	16,031,267	15,949,169
Total assets	30,020,887	29,835,805
Deferred outflows of resources	428,356	714,599
Total assets and deferred outflows of resources	\$ 30,449,243	\$ 30,550,404
Long-term liabilities	\$ 30,719,797	\$ 32,158,215
Other liabilities	933,091	554,080
Total liabilities	31,652,888	32,712,295
Net position:		
Net investment in capital assets	(11,414,951)	(12,050,976)
Restricted	3,388,474	3,275,810
Unrestricted	6,822,832	6,613,275
Total net position	\$ (1,203,645)	\$ (2,161,891)

The total position of the District increased by \$958,246, or about 44 percent. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Harris County Water Control and Improvement District No. 119**  
**Management's Discussion and Analysis (Continued)**  
**April 30, 2020**

**Summary of Changes in Net Position**

	<u>2020</u>	<u>2019</u>
Revenues:		
Property taxes	\$ 2,889,140	\$ 2,872,569
Sales tax rebates	21,731	21,516
Charges for services	2,459,317	2,297,993
Other revenues	<u>497,369</u>	<u>636,081</u>
Total revenues	<u>5,867,557</u>	<u>5,828,159</u>
Expenses:		
Services	3,145,517	2,908,128
Conveyance of capital assets	-	38,842
Depreciation	516,150	523,161
Debt service	<u>1,247,644</u>	<u>1,122,369</u>
Total expenses	<u>4,909,311</u>	<u>4,592,500</u>
Change in net position	958,246	1,235,659
Net position, beginning of year	<u>(2,161,891)</u>	<u>(3,397,550)</u>
Net position, end of year	<u>\$ (1,203,645)</u>	<u>\$ (2,161,891)</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances as of the end of the fiscal year ended April 30, 2020, were \$9,380,527, a decrease of \$173,275 from the prior year.

The general fund's fund balance increased by \$333,719. This increase was primarily due to return of capital from the North Harris County Regional Water Authority.

The debt service fund's fund balance increased by \$19,335, primarily due to property tax and penalty and interest revenues exceeding bond principal and interest requirements.

The capital projects fund's fund balance decreased by \$526,329, due to capital outlay expenditures exceeding investment income.

**Harris County Water Control and Improvement District No. 119**  
**Management's Discussion and Analysis (Continued)**  
**April 30, 2020**

**General Fund Budgetary Highlights**

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property taxes, regional water fee and investment income revenues and purchased services expenditures being higher than anticipated as well as regional water fee, repairs and maintenance and tap connection expenditures and water and sewer service and tap connection fee revenues being lower than anticipated. The fund balance as of April 30, 2020, was expected to be \$3,051,834 and the actual end-of-year fund balance was \$3,152,820.

**Capital Assets and Related Debt**

Capital Assets

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

**Capital Assets (Net of Accumulated Depreciation)**

	2020	2019
Land and improvements	\$ 4,722,392	\$ 4,722,392
Construction in progress	698,291	100,043
Water facilities	3,327,805	3,513,352
Wastewater facilities	7,282,779	7,613,382
Total capital assets	\$ 16,031,267	\$ 15,949,169

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

Construction in progress related to the ground storage tank No. 2 at water plant No. 3 and the wastewater lift station conversion	\$ 598,248
---	------------

Debt

The changes in the debt position of the District during the fiscal year ended April 30, 2020, are summarized as follows:

Long-term debt payable, beginning of year	\$ 32,158,215
Increases in long-term debt	6,744,513
Decreases in long-term debt	8,182,931
Long-term debt payable, end of year	\$ 30,719,797

# **Harris County Water Control and Improvement District No. 119**

## **Management's Discussion and Analysis (Continued)**

### **April 30, 2020**

At April 30, 2020, the District had \$6,570,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

The District's bonds carry an underlying rating of "A" from Standard & Poor's. The Series 2012 refunding bonds, Series 2017 bonds and Series 2019 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2014 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2016 bonds carry an "A" rating from Standard & Poor's by virtue of bond insurance issued by National Public Finance Guarantee Corp.

In October 2019, the District issued \$6,420,000 in Unlimited Tax Refunding Bonds, Series 2019 to refund \$6,475,000 of outstanding Series 2012 refunding bonds. The District refunded the bonds to reduce total debt service payments over future years by \$366,347 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$338,464.

#### **Other Relevant Factors**

##### **Relationship to the City of Houston**

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

##### **Strategic Partnership Agreement**

Effective April 4, 2007, the District and the City entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed a tract of land within the boundaries of the District for limited purposes. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years.

**Harris County Water Control and Improvement District No. 119**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**April 30, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 188,500	\$ 102,514	\$ 100	\$ 291,114	\$ -	\$ 291,114
Certificates of deposit	2,310,000	1,200,000	-	3,510,000	-	3,510,000
Short-term investments	886,336	1,875,709	3,389,605	6,151,650	-	6,151,650
Receivables:						
Property taxes	13,342	75,823	-	89,165	-	89,165
Service accounts	203,426	-	-	203,426	-	203,426
Accrued penalty and interest	-	-	-	-	14,033	14,033
Accrued interest	32,663	14,370	-	47,033	-	47,033
Interfund receivable	13,078	8,533	-	21,611	(21,611)	-
Tax rebates	1,386	-	-	1,386	2,322	3,708
Due from regional water authority	-	-	-	-	3,654,348	3,654,348
Prepaid expenditures	25,143	-	-	25,143	-	25,143
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	4,722,392	4,722,392
Construction in progress	-	-	-	-	698,291	698,291
Infrastructure	-	-	-	-	10,610,584	10,610,584
<b>Total assets</b>	<b>3,673,874</b>	<b>3,276,949</b>	<b>3,389,705</b>	<b>10,340,528</b>	<b>19,680,359</b>	<b>30,020,887</b>
<b>Deferred Outflows of Resources</b>						
Deferred amount on debt refundings	0	0	0	0	428,356	428,356
<b>Total assets and deferred outflows of resources</b>	<b>\$ 3,673,874</b>	<b>\$ 3,276,949</b>	<b>\$ 3,389,705</b>	<b>\$ 10,340,528</b>	<b>\$ 20,108,715</b>	<b>\$ 30,449,243</b>



**Harris County Water Control and Improvement District No. 119**  
**Statement of Net Position and Governmental Funds Balance Sheet (Continued)**  
**April 30, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Liabilities</b>						
Accounts payable	\$ 275,704	\$ 7,551	\$ 290,241	\$ 573,496	\$ -	\$ 573,496
Accrued interest payable	-	-	-	-	83,866	83,866
Retainage payable	-	-	52,254	52,254	-	52,254
Customer deposits	218,475	-	-	218,475	-	218,475
Due to others	5,000	-	-	5,000	-	5,000
Interfund payable	8,533	13,078	-	21,611	(21,611)	-
Long-term liabilities:						
Due within one year	-	-	-	-	1,430,000	1,430,000
Due after one year	-	-	-	-	29,289,797	29,289,797
Total liabilities	<u>507,712</u>	<u>20,629</u>	<u>342,495</u>	<u>870,836</u>	<u>30,782,052</u>	<u>31,652,888</u>
<b>Deferred Inflows of Resources</b>						
Deferred property tax revenues	<u>13,342</u>	<u>75,823</u>	<u>0</u>	<u>89,165</u>	<u>(89,165)</u>	<u>0</u>
<b>Fund Balances/Net Position</b>						
Fund balances:						
Nonspendable, prepaid expenditures	25,143	-	-	25,143	(25,143)	-
Restricted:						
Water, sewer and drainage	-	-	3,047,210	3,047,210	(3,047,210)	-
Unlimited tax bonds	-	3,180,497	-	3,180,497	(3,180,497)	-
Unassigned	<u>3,127,677</u>	<u>-</u>	<u>-</u>	<u>3,127,677</u>	<u>(3,127,677)</u>	<u>-</u>
Total fund balances	<u>3,152,820</u>	<u>3,180,497</u>	<u>3,047,210</u>	<u>9,380,527</u>	<u>(9,380,527)</u>	<u>0</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,673,874</u>	<u>\$ 3,276,949</u>	<u>\$ 3,389,705</u>	<u>\$ 10,340,528</u>		
Net position:						
Net investment in capital assets					(11,414,951)	(11,414,951)
Restricted for debt service					3,186,487	3,186,487
Restricted for capital projects					201,987	201,987
Unrestricted					<u>6,822,832</u>	<u>6,822,832</u>
Total net position					<u>\$ (1,203,645)</u>	<u>\$ (1,203,645)</u>

**Harris County Water Control and Improvement District No. 119**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Year Ended April 30, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 447,642	\$ 2,428,677	\$ -	\$ 2,876,319	\$ 12,821	\$ 2,889,140
Sales tax rebates	21,190	-	-	21,190	541	21,731
Water service	695,860	-	-	695,860	-	695,860
Sewer service	718,852	-	-	718,852	-	718,852
Regional water fee	1,044,605	-	-	1,044,605	-	1,044,605
Penalty and interest	31,848	13,249	-	45,097	534	45,631
Tap connection and inspection fees	37,656	-	-	37,656	-	37,656
Investment income	68,557	58,126	71,933	198,616	-	198,616
Other income	3,611	8,338	-	11,949	-	11,949
Interest from regional water authority	-	-	-	-	203,517	203,517
<b>Total revenues</b>	<b>3,069,821</b>	<b>2,508,390</b>	<b>71,933</b>	<b>5,650,144</b>	<b>217,413</b>	<b>5,867,557</b>
<b>Expenditures/Expenses</b>						
Service operations:						
Purchased services	1,025,473	-	-	1,025,473	-	1,025,473
Regional water fee	215,685	-	-	215,685	-	215,685
Professional fees	138,100	7,684	-	145,784	-	145,784
Contracted services	752,926	67,273	-	820,199	-	820,199
Utilities	105,777	-	-	105,777	-	105,777
Repairs and maintenance	613,307	-	-	613,307	88,370	701,677
Other expenditures	117,638	3,297	14	120,949	-	120,949
Tap connections	9,973	-	-	9,973	-	9,973
Capital outlay	88,370	-	598,248	686,618	(686,618)	-
Depreciation	-	-	-	-	516,150	516,150
Debt service:						
Principal retirement	-	1,355,000	-	1,355,000	(1,355,000)	-
Interest and fees	-	1,064,334	-	1,064,334	(60,403)	1,003,931
Debt issuance costs	-	243,713	-	243,713	-	243,713
<b>Total expenditures/expenses</b>	<b>3,067,249</b>	<b>2,741,301</b>	<b>598,262</b>	<b>6,406,812</b>	<b>(1,497,501)</b>	<b>4,909,311</b>
<b>Excess (Deficiency) of Revenues</b>						
<b>Over Expenditures</b>	<b>2,572</b>	<b>(232,911)</b>	<b>(526,329)</b>	<b>(756,668)</b>	<b>1,714,914</b>	

**Harris County Water Control and Improvement District No. 119**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances (Continued)**  
**Year Ended April 30, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Other Financing Sources (Uses)</b>						
Return of capital	\$ 331,147	\$ -	\$ -	\$ 331,147	\$ (331,147)	
General obligation bonds issued	-	6,420,000	-	6,420,000	(6,420,000)	
Premium on debt issued	-	324,513	-	324,513	(324,513)	
Deposit with escrow agent	-	(6,492,267)	-	(6,492,267)	6,492,267	
Total other financing sources	331,147	252,246	0	583,393	(583,393)	
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	333,719	19,335	(526,329)	(173,275)	173,275	
<b>Change in Net Position</b>					958,246	\$ 958,246
<b>Fund Balances/Net Position</b>						
Beginning of year	2,819,101	3,161,162	3,573,539	9,553,802	-	(2,161,891)
End of year	\$ 3,152,820	\$ 3,180,497	\$ 3,047,210	\$ 9,380,527	\$ 0	\$ (1,203,645)

# Harris County Water Control and Improvement District No. 119

## Notes to Financial Statements

April 30, 2020

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

Harris County Water Control and Improvement District No. 119 (the District) was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective October 22, 1968, in accordance with the Texas Water Code. On October 31, 1978, the Commission, then known as the Texas Water Commission, approved the conversion of the District to a municipal utility district governed by the provisions of the Texas Water Code, Chapter 54. The District retained the name of Harris County Water Control and Improvement District No. 119. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District. The District also provides solid waste disposal services.

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

#### ***Reporting Entity***

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

#### ***Government-wide and Fund Financial Statements***

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

# Harris County Water Control and Improvement District No. 119

## Notes to Financial Statements

### April 30, 2020

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

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

The District presents the following major governmental funds:

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

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

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

#### **Fund Balances – Governmental Funds**

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

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

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

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

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

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

# Harris County Water Control and Improvement District No. 119

## Notes to Financial Statements

April 30, 2020

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

### ***Measurement Focus and Basis of Accounting***

#### **Government-wide Financial Statements**

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

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

#### **Fund Financial Statements**

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

# Harris County Water Control and Improvement District No. 119

## Notes to Financial Statements

April 30, 2020

### ***Deferred Outflows and Inflows of Resources***

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

### ***Interfund Transactions***

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis.

Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

### ***Pension Costs***

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

### ***Use of Estimates***

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

### ***Investments and Investment Income***

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

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

### ***Property Taxes***

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal

# Harris County Water Control and Improvement District No. 119

## Notes to Financial Statements

### April 30, 2020

district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended April 30, 2020, include collections during the current period or within 60 days of year-end related to the 2019 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended April 30, 2020, the 2019 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

#### **Capital Assets**

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

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

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

	<b>Years</b>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45

#### **Deferred Amount on Debt Refundings**

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.



# Harris County Water Control and Improvement District No. 119

## Notes to Financial Statements

### April 30, 2020

#### ***Debt Issuance Costs***

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

#### ***Long-term Obligations***

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

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

#### ***Net Position/Fund Balances***

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

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

#### ***Reconciliation of Government-wide and Fund Financial Statements***

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 16,031,267
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	89,165
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	14,033
Amount due from North Harris County Regional Water Authority (the Authority) is not receivable in the current period and is not reported in the funds.	3,654,348

# Harris County Water Control and Improvement District No. 119

## Notes to Financial Statements

### April 30, 2020

Amount due from the City of Houston (the City) is not receivable in the current period and is not reported in the funds.	\$ 2,322
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	428,356
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(83,866)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(30,719,797)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (10,584,172)</u></u>

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

Change in fund balances.	\$ (173,275)
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation and noncapitalized costs in the current year.	82,098
Governmental funds report proceeds from sale of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	1,427,267
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(324,513)
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.	13,896
Return of capital is an other financing source in the governmental funds, but is a reduction of amounts due from the Authority and an increase in investment income in the government-wide financial statements.	(127,630)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>60,403</u>
Change in net position of governmental activities.	<u><u>\$ 958,246</u></u>

# Harris County Water Control and Improvement District No. 119

## Notes to Financial Statements

### April 30, 2020

#### **Note 2: Deposits, Investments and Investment Income**

##### ***Deposits***

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

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

At April 30, 2020, none of the District's bank balances were exposed to custodial credit risk.

##### ***Investments***

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

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

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investment in any issuer to the top two ratings issued by nationally recognized statistical rating organizations.

At April 30, 2020, the District had the following investments and maturities.

**Harris County Water Control and Improvement District No. 119**  
**Notes to Financial Statements**  
**April 30, 2020**

Type	Maturities in Years				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Texas CLASS	<u>\$ 6,151,650</u>	<u>\$ 6,151,650</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

**Credit Risk.** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At April 30, 2020, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

**Summary of Carrying Values**

The carrying values of deposits and investments shown above are included in the balance sheet at April 30, 2020, as follows:

Carrying value:	
Deposits	\$ 3,801,114
Investments	<u>6,151,650</u>
Total	<u>\$ 9,952,764</u>

Included in the following statement of net position captions:

Cash	\$ 291,114
Certificates of deposit	3,510,000
Short-term investments	<u>6,151,650</u>
Total	<u>\$ 9,952,764</u>

**Investment Income**

Investment income of \$198,616 for the year ended April 30, 2020, consisted of interest income.

# Harris County Water Control and Improvement District No. 119

## Notes to Financial Statements

### April 30, 2020

#### ***Fair Value Measurements***

The District has the following recurring fair value measurements as of April 30, 2020:

- Pooled investments of \$6,151,650 are valued at fair value per share of the pool's underlying portfolio.

#### **Note 3: Capital Assets**

A summary of changes in capital assets for the year ended April 30, 2020, is as follows:

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Additions</b>	<b>Balances, End of Year</b>
Capital assets, non-depreciable:			
Land and improvements	\$ 4,722,392	\$ -	\$ 4,722,392
Construction in progress	100,043	598,248	698,291
Total capital assets, non-depreciable	<u>4,822,435</u>	<u>598,248</u>	<u>5,420,683</u>
Capital assets, depreciable:			
Water production and distribution facilities	6,780,024	-	6,780,024
Wastewater collection and treatment facilities	13,033,580	-	13,033,580
Total capital assets, depreciable	<u>19,813,604</u>	<u>0</u>	<u>19,813,604</u>
Less accumulated depreciation:			
Water production and distribution facilities	(3,266,672)	(185,547)	(3,452,219)
Wastewater collection and treatment facilities	(5,420,198)	(330,603)	(5,750,801)
Total accumulated depreciation	<u>(8,686,870)</u>	<u>(516,150)</u>	<u>(9,203,020)</u>
Total governmental activities, net	<u>\$ 15,949,169</u>	<u>\$ 82,098</u>	<u>\$ 16,031,267</u>

#### **Note 4: Long-term Liabilities**

Changes in long-term liabilities for the year ended April 30, 2020, were as follows.

**Harris County Water Control and Improvement District No. 119**  
**Notes to Financial Statements**  
**April 30, 2020**

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances, End of Year</b>	<b>Amounts Due in One Year</b>
Bonds payable:					
General obligation bonds	\$ 31,670,000	\$ 6,420,000	\$ 7,830,000	\$ 30,260,000	\$ 1,430,000
Add premiums on bonds	736,950	324,513	363,123	698,340	-
Less discounts on bonds	248,735	-	10,192	238,543	-
Total governmental activities long-term liabilities	<u>\$ 32,158,215</u>	<u>\$ 6,744,513</u>	<u>\$ 8,182,931</u>	<u>\$ 30,719,797</u>	<u>\$ 1,430,000</u>

**General Obligation Bonds**

	<b>Refunding Series 2012</b>	<b>Refunding Series 2013</b>
Amounts outstanding, April 30, 2020	\$1,175,000	\$4,920,000
Interest rates	4.00%	2.25% to 3.50%
Maturity dates, serially beginning/ending	October 1, 2020	October 1, 2020/2029
Interest payment dates	October 1/April 1	October 1/April 1
Callable dates*	October 1, 2019	October 1, 2020
	<b>Refunding Series 2014</b>	<b>Series 2016</b>
Amounts outstanding, April 30, 2020	\$8,845,000	\$4,150,000
Interest rates	2.00% to 4.00%	2.00% to 3.00%
Maturity dates, serially beginning/ending	October 1, 2020/2034	October 1, 2020/2036
Interest payment dates	October 1/April 1	October 1/April 1
Callable dates*	October 1, 2021	October 1, 2023

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

**Harris County Water Control and Improvement District No. 119**  
**Notes to Financial Statements**  
**April 30, 2020**

	<b>Series 2017</b>	<b>Refunding Series 2019</b>
Amounts outstanding, April 30, 2020	\$4,750,000	\$6,420,000
Interest rates	2.00% to 4.00%	2.00% to 3.00%
Maturity dates, serially beginning/ending	October 1, 2020/2038	October 1, 2020/2025
Interest payment dates	October 1/April 1	October 1/April 1
Callable dates*	October 1, 2024	October 1, 2024

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

**Annual Debt Service Requirements**

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at April 30, 2020:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 1,430,000	\$ 978,706	\$ 2,408,706
2022	1,470,000	935,132	2,405,132
2023	1,505,000	896,618	2,401,618
2024	1,550,000	850,663	2,400,663
2025	1,495,000	805,187	2,300,187
2026-2030	8,215,000	3,261,901	11,476,901
2031-2035	8,895,000	1,663,587	10,558,587
2036-2039	5,700,000	349,875	6,049,875
Total	\$ 30,260,000	\$ 9,741,669	\$ 40,001,669

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

Bonds voted	\$ 56,530,000
Bonds sold	49,960,000
Refunding bonds voted	10,000,000
Refunding bond authorization used	2,650,189

# Harris County Water Control and Improvement District No. 119

## Notes to Financial Statements

April 30, 2020

### **Note 5: Significant Bond Order and Commission Requirements**

The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended April 30, 2020, the District levied an ad valorem debt service tax at the rate of \$0.3800 per \$100 of assessed valuation, which resulted in a tax levy of \$2,440,246 on the taxable valuation of \$642,173,069 for the 2019 tax year. The interest and principal requirements to be paid from the tax revenues are \$2,436,388, of which \$503,194 has been paid, and \$1,933,194 is due October 1, 2020.

### **Note 6: Maintenance Taxes**

At an election held August 14, 1976, voters authorized a maintenance tax not to exceed \$0.25 per \$100 valuation on all property within the District subject to taxation. During the year ended April 30, 2020, the District levied an ad valorem maintenance tax at the rate of \$0.0700 per \$100 of assessed valuation, which resulted in a tax levy of \$449,519 on the taxable valuation of \$642,173,069 for the 2019 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

### **Note 7: Strategic Partnership Agreement**

Effective April 4, 2007, the District and the City entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed a tract of land (the tract) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all City sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments and the services provided by the City, the District agrees to continue to provide and develop water, sewer and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. During the current year, the District recorded \$21,731 in revenues related to the Agreement.

### **Note 8: Regional Water Authority**

The District is within the boundaries of the Authority, which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of April 30, 2020, the Authority was billing the District \$3.85 per 1,000 gallons of water pumped from its wells and \$4.30 per 1,000 gallons of surface water received. These amounts are subject to future increases.



# Harris County Water Control and Improvement District No. 119

## Notes to Financial Statements

### April 30, 2020

In 2003, the District entered into a capital contribution agreement with the Authority. The agreement required the District to make a capital contribution to the Authority of \$1,571,436 and the District will receive repayment through credits for District pumpage fees and water payments as they become due each year. In addition, any amount owed to the District that remains after the credits will be paid to the District. These repayments accrue interest at 5.0575 percent per year and will be repaid with interest-only payments from 2004 through 2009 and principal and interest from 2010 through 2033.

In 2008, the District entered into a second capital contribution agreement with the Authority. The agreement required the District to make a capital contribution to the Authority of \$2,483,657 and the District will receive repayment through credits for District pumpage fees and water payments as they become due each year. In addition, any amount owed to the District that remains after the credits will be paid to the District. These repayments accrue interest at 5.2490 percent and will be repaid with interest-only payments from 2009 through 2013 and principal and interest from 2014 through 2038.

In 2011, the District entered into a chloramination credit agreement with the Authority. The District spent \$464,066 for its chloramine system and was determined by the Authority to be eligible for the credit. The District will receive repayment through credits for District pumpage fees and water payments as they become due each year. In addition, any amounts owed to the District that remains after the credits will be paid to the District. These repayments accrue interest at 6.0000 percent per year and will be repaid with principal and interest payments from 2011 through 2041.

At April 30, 2020, the repayments outstanding for both contributions and the chloramination credit are shown as follows:

Year	Amount
2021	\$ 331,146
2022	331,146
2023	331,146
2024	331,146
2025	331,146
Thereafter	4,041,367
	5,697,097
Less amount representing interest	2,042,749
Total	\$ 3,654,348

#### **Note 9: Risk Management**

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

# Harris County Water Control and Improvement District No. 119

## Notes to Financial Statements

April 30, 2020

### Note 10: Refunding Bonds

In October 2019, the District issued \$6,420,000 in Unlimited Tax Refunding Bonds, Series 2019 to refund \$6,475,000 of outstanding Series 2012 refunding bonds. The District refunded the bonds to reduce total debt service payments over future years by \$366,347 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$338,464.

### Note 11: Uncertainties

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

## **Required Supplementary Information**

**Harris County Water Control and Improvement District No. 119**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended April 30, 2020**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Property taxes	\$ 410,483	\$ 447,642	\$ 37,159
Sales tax rebates	25,000	21,190	(3,810)
Water service	798,000	695,860	(102,140)
Sewer service	755,000	718,852	(36,148)
Regional water fee	1,000,000	1,044,605	44,605
Penalty and interest	30,000	31,848	1,848
Tap connection and inspection fees	78,500	37,656	(40,844)
Investment income	30,500	68,557	38,057
Other income	10,000	3,611	(6,389)
	<u>3,137,483</u>	<u>3,069,821</u>	<u>(67,662)</u>
<b>Expenditures</b>			
Service operations:			
Purchased services	960,000	1,025,473	(65,473)
Regional water fee	250,000	215,685	34,315
Professional fees	162,000	138,100	23,900
Contracted services	765,000	752,926	12,074
Utilities	135,000	105,777	29,223
Repairs and maintenance	668,500	613,307	55,193
Other expenditures	151,250	117,638	33,612
Tap connections	45,000	9,973	35,027
Capital outlay	100,000	88,370	11,630
	<u>3,236,750</u>	<u>3,067,249</u>	<u>169,501</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(99,267)	2,572	101,839
<b>Other Financing Sources</b>			
Return of capital	332,000	331,147	(853)
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	232,733	333,719	100,986
<b>Fund Balance, Beginning of Year</b>	<u>2,819,101</u>	<u>2,819,101</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 3,051,834</u>	<u>\$ 3,152,820</u>	<u>\$ 100,986</u>

**Harris County Water Control and Improvement District No. 119**  
**Notes to Required Supplementary Information**  
**April 30, 2020**

***Budgets and Budgetary Accounting***

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

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

## **Other Information**

**Harris County Water Control and Improvement District No. 119**  
**Other Schedules Included Within This Report**  
**April 30, 2020**

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

- [X] Notes Required by the Water District Accounting Manual  
See "Notes to Financial Statements," Pages 13-27
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –  
Five Years
- [X] Board Members, Key Personnel and Consultants





**Harris County Water Control and Improvement District No. 119**  
**Schedule of General Fund Expenditures**  
**Year Ended April 30, 2020**

<b>Personnel (including benefits)</b>		\$	-
<b>Professional Fees</b>			
Auditing	\$	20,000	
Legal		81,572	
Engineering		36,528	
Financial advisor		-	138,100
		-	
<b>Purchased Services</b>			
Bulk water and wastewater service purchases			1,025,473
<b>Regional Water Fee</b>			215,685
<b>Contracted Services</b>			
Bookkeeping		23,669	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		-	
Other contracted services		213,390	237,059
		213,390	
<b>Utilities</b>			105,777
<b>Repairs and Maintenance</b>			613,307
<b>Administrative Expenditures</b>			
Directors' fees		9,450	
Office supplies		8,728	
Insurance		27,238	
Other administrative expenditures		72,222	117,638
		72,222	
<b>Capital Outlay</b>			
Capitalized assets		-	
Expenditures not capitalized		88,370	88,370
		88,370	
<b>Tap Connection Expenditures</b>			9,973
<b>Solid Waste Disposal</b>			515,867
<b>Fire Fighting</b>			-
<b>Parks and Recreation</b>			-
<b>Other Expenditures</b>			-
			-
Total expenditures			\$ 3,067,249

**Harris County Water Control and Improvement District No. 119**  
**Schedule of Temporary Investments**  
**April 30, 2020**

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Accrued Interest Receivable</b>
<b>General Fund</b>				
Texas CLASS	0.98%	Demand	\$ 886,336	\$ -
Certificates of Deposit				
No. 5000020007	0.85%	04/16/21	100,000	33
No. 91300011901984	2.25%	10/16/20	100,000	1,208
No. 91300011915707	1.50%	03/11/21	100,000	205
No. 614	1.80%	01/14/21	100,000	523
No. 456	1.80%	02/25/21	120,000	379
No. 66000936	2.10%	08/21/20	240,000	3,480
No. 71130991	2.00%	12/26/20	150,000	1,027
No. 12399	2.22%	08/21/20	240,000	3,679
No. 440007201	2.70%	05/19/20	240,000	6,125
No. 36000777	2.45%	09/29/20	100,000	1,416
No. 36000947	2.10%	11/20/20	100,000	926
No. 460019558	2.65%	07/24/20	240,000	4,914
No. 600037892	2.10%	08/22/20	240,000	3,466
No. 6002400004	2.60%	06/25/20	240,000	5,282
			<u>3,196,336</u>	<u>32,663</u>
<b>Debt Service Fund</b>				
Texas CLASS	0.98%	Demand	1,875,709	-
Certificates of Deposit				
No. 91300011898929	2.45%	09/10/20	240,000	3,737
No. 458	1.80%	03/04/21	240,000	675
No. 71127850	2.15%	09/09/20	240,000	3,294
No. 440009094	2.25%	09/09/20	240,000	3,447
No. 600038296	2.10%	09/09/20	240,000	3,217
			<u>3,075,709</u>	<u>14,370</u>
<b>Capital Projects Fund</b>				
Texas CLASS	0.98%	Demand	25,339	-
Texas CLASS	0.98%	Demand	527,833	-
Texas CLASS	0.98%	Demand	2,836,433	-
			<u>3,389,605</u>	<u>0</u>
Totals			<u>\$ 9,661,650</u>	<u>\$ 47,033</u>

**Harris County Water Control and Improvement District No. 119**  
**Analysis of Taxes Levied and Receivable**  
**Year Ended April 30, 2020**

	<b>Maintenance Taxes</b>	<b>Debt Service Taxes</b>
<b>Receivable, Beginning of Year</b>	\$ 10,415	\$ 65,929
Additions and corrections to prior years' taxes	1,050	(1,675)
Adjusted receivable, beginning of year	11,465	64,254
<b>2019 Original Tax Levy</b>	406,015	2,204,081
Additions and corrections	43,504	236,165
Adjusted tax levy	449,519	2,440,246
Total to be accounted for	460,984	2,504,500
Tax collections: Current year	(437,404)	(2,374,478)
Prior years	(10,238)	(54,199)
Receivable, end of year	\$ 13,342	\$ 75,823
<b>Receivable, by Years</b>		
2019	\$ 12,115	\$ 65,768
2018	445	2,609
2017	393	2,300
2016	196	2,154
2015	64	1,053
2014	52	878
2013	76	1,045
2012	1	16
Receivable, end of year	\$ 13,342	\$ 75,823

**Harris County Water Control and Improvement District No. 119**  
**Analysis of Taxes Levied and Receivable (Continued)**  
**Year Ended April 30, 2020**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Property Valuations</b>				
Land	\$ 112,267,172	\$ 111,411,786	\$ 111,943,367	\$ 108,728,138
Improvements	543,608,687	499,128,200	478,603,193	445,358,478
Personal property	9,000,065	7,717,357	8,428,759	7,976,939
Exemptions	<u>(22,702,855)</u>	<u>(19,904,054)</u>	<u>(20,895,280)</u>	<u>(20,593,016)</u>
 Total property valuations	 <u>\$ 642,173,069</u>	 <u>\$ 598,353,289</u>	 <u>\$ 578,080,039</u>	 <u>\$ 541,470,539</u>
 <b>Tax Rates per \$100 Valuation</b>				
Debt service tax rates	\$ 0.3800	\$ 0.4100	\$ 0.4100	\$ 0.4400
Maintenance tax rates*	<u>0.0700</u>	<u>0.0700</u>	<u>0.0700</u>	<u>0.0400</u>
 Total tax rates per \$100 valuation	 <u>\$ 0.4500</u>	 <u>\$ 0.4800</u>	 <u>\$ 0.4800</u>	 <u>\$ 0.4800</u>
 <b>Tax Levy</b>	 <u>\$ 2,889,765</u>	 <u>\$ 2,872,082</u>	 <u>\$ 2,774,771</u>	 <u>\$ 2,599,046</u>
 <b>Percent of Taxes Collected to Taxes Levied**</b>	 <u>97%</u>	 <u>99%</u>	 <u>99%</u>	 <u>99%</u>

\*Maximum tax rate approved by voters: \$0.25 on August 14, 1976

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

**Harris County Water Control and Improvement District No. 119**  
**Schedule of Long-term Debt Service Requirements by Years**  
**April 30, 2020**

<b>Due During Fiscal Years Ending April 30</b>	<b>Refunding Series 2012</b>		
	<b>Principal Due October 1</b>	<b>Interest Due October 1, April 1</b>	<b>Total</b>
2021	<u>\$ 1,175,000</u>	<u>\$ 23,500</u>	<u>\$ 1,198,500</u>

**Harris County Water Control and Improvement District No. 119**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**April 30, 2020**

<b>Due During Fiscal Years Ending April 30</b>	<b>Refunding Series 2013</b>		
	<b>Principal Due October 1</b>	<b>Interest Due October 1, April 1</b>	<b>Total</b>
2021	\$ 5,000	\$ 171,956	\$ 176,956
2022	5,000	171,844	176,844
2023	5,000	171,731	176,731
2024	10,000	171,500	181,500
2025	10,000	171,150	181,150
2026	10,000	170,800	180,800
2027	1,460,000	145,075	1,605,075
2028	1,085,000	100,538	1,185,538
2029	1,140,000	61,600	1,201,600
2030	1,190,000	20,825	1,210,825
Totals	<u>\$ 4,920,000</u>	<u>\$ 1,357,019</u>	<u>\$ 6,277,019</u>

**Harris County Water Control and Improvement District No. 119**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**April 30, 2020**

<b>Due During Fiscal Years Ending April 30</b>	<b>Refunding Series 2014</b>		
	<b>Principal Due October 1</b>	<b>Interest Due October 1, April 1</b>	<b>Total</b>
2021	\$ 25,000	\$ 352,550	\$ 377,550
2022	25,000	351,738	376,738
2023	25,000	350,862	375,862
2024	25,000	349,988	374,988
2025	25,000	349,112	374,112
2026	25,000	348,237	373,237
2027	30,000	347,200	377,200
2028	305,000	340,500	645,500
2029	305,000	328,300	633,300
2030	310,000	316,000	626,000
2031	1,590,000	278,000	1,868,000
2032	1,660,000	213,000	1,873,000
2033	1,740,000	145,000	1,885,000
2034	1,360,000	83,000	1,443,000
2035	1,395,000	27,900	1,422,900
Totals	<u>\$ 8,845,000</u>	<u>\$ 4,181,387</u>	<u>\$ 13,026,387</u>

**Harris County Water Control and Improvement District No. 119**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**April 30, 2020**

<b>Due During Fiscal Years Ending April 30</b>	<b>Series 2016</b>		
	<b>Principal Due October 1</b>	<b>Interest Due October 1, April 1</b>	<b>Total</b>
2021	\$ 100,000	\$ 107,625	\$ 207,625
2022	100,000	105,125	205,125
2023	100,000	103,125	203,125
2024	100,000	101,125	201,125
2025	100,000	99,000	199,000
2026	100,000	96,750	196,750
2027	100,000	94,500	194,500
2028	100,000	92,125	192,125
2029	125,000	89,313	214,313
2030	125,000	86,188	211,188
2031	125,000	83,063	208,063
2032	125,000	79,938	204,938
2033	125,000	76,656	201,656
2034	125,000	73,218	198,218
2035	150,000	69,437	219,437
2036	1,200,000	50,875	1,250,875
2037	1,250,000	17,187	1,267,187
Totals	<u>\$ 4,150,000</u>	<u>\$ 1,425,250</u>	<u>\$ 5,575,250</u>



**Harris County Water Control and Improvement District No. 119**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**April 30, 2020**

Due During Fiscal Years Ending April 30	Series 2017		
	Principal Due October 1	Interest Due October 1, April 1	Total
2021	\$ 100,000	\$ 143,375	\$ 243,375
2022	100,000	139,375	239,375
2023	100,000	135,375	235,375
2024	100,000	131,375	231,375
2025	100,000	127,875	227,875
2026	100,000	125,375	225,375
2027	100,000	123,375	223,375
2028	100,000	121,125	221,125
2029	100,000	118,625	218,625
2030	100,000	115,875	215,875
2031	100,000	112,875	212,875
2032	100,000	109,875	209,875
2033	100,000	106,875	206,875
2034	100,000	103,875	203,875
2035	100,000	100,875	200,875
2036	150,000	97,125	247,125
2037	150,000	92,625	242,625
2038	1,450,000	68,625	1,518,625
2039	1,500,000	23,438	1,523,438
Totals	\$ 4,750,000	\$ 2,097,938	\$ 6,847,938

**Harris County Water Control and Improvement District No. 119**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**April 30, 2020**

<b>Due During Fiscal Years Ending April 30</b>	<b>Refunding Series 2019</b>		
	<b>Principal Due October 1</b>	<b>Interest Due October 1, April 1</b>	<b>Total</b>
2021	\$ 25,000	\$ 179,700	\$ 204,700
2022	1,240,000	167,050	1,407,050
2023	1,275,000	135,525	1,410,525
2024	1,315,000	96,675	1,411,675
2025	1,260,000	58,050	1,318,050
2026	1,305,000	19,575	1,324,575
Totals	<u>\$ 6,420,000</u>	<u>\$ 656,575</u>	<u>\$ 7,076,575</u>

**Harris County Water Control and Improvement District No. 119**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**April 30, 2020**

Due During Fiscal Years Ending April 30	<u>Annual Requirements For All Series</u>		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 1,430,000	\$ 978,706	\$ 2,408,706
2022	1,470,000	935,132	2,405,132
2023	1,505,000	896,618	2,401,618
2024	1,550,000	850,663	2,400,663
2025	1,495,000	805,187	2,300,187
2026	1,540,000	760,737	2,300,737
2027	1,690,000	710,150	2,400,150
2028	1,590,000	654,288	2,244,288
2029	1,670,000	597,838	2,267,838
2030	1,725,000	538,888	2,263,888
2031	1,815,000	473,938	2,288,938
2032	1,885,000	402,813	2,287,813
2033	1,965,000	328,531	2,293,531
2034	1,585,000	260,093	1,845,093
2035	1,645,000	198,212	1,843,212
2036	1,350,000	148,000	1,498,000
2037	1,400,000	109,812	1,509,812
2038	1,450,000	68,625	1,518,625
2039	1,500,000	23,438	1,523,438
Totals	<u>\$ 30,260,000</u>	<u>\$ 9,741,669</u>	<u>\$ 40,001,669</u>

# Harris County Water Control and Improvement District No. 119

## Changes in Long-term Bonded Debt

### Year Ended April 30, 2020

	<b>Bond</b>		
	<b>Refunding Series 2012</b>	<b>Refunding Series 2013</b>	<b>Refunding Series 2014</b>
Interest rates	4.00%	2.25% to 3.50%	2.00% to 4.00%
Dates interest payable	October 1/April 1	October 1/April 1	October 1/April 1
Maturity dates	October 1, 2020	October 1, 2020/2029	October 1, 2020/2034
Bonds outstanding, beginning of current year	\$ 8,775,000	\$ 4,925,000	\$ 8,870,000
Bonds sold during current year	-	-	-
Principal refunded	6,475,000	-	-
Retirements, principal	1,125,000	5,000	25,000
Bonds outstanding, end of current year	\$ 1,175,000	\$ 4,920,000	\$ 8,845,000
Interest paid during current year	\$ 199,000	\$ 172,069	\$ 353,238

Paying agent's name and address:

**Series 2012** - Wells Fargo Bank Texas, N.A., Houston, Texas

**Series 2013** - Wells Fargo Bank Texas, N.A., Dallas Texas

**Series 2014** - Wells Fargo Bank, N.A., Minneapolis, Minnesota

**Series 2016** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

**Series 2017** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

**Series 2019** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	<b>Tax Bonds</b>	<b>Other Bonds</b>	<b>Refunding Bonds</b>
Amount authorized by voters	\$ 56,530,000	0	\$ 10,000,000
Amount issued	\$ 49,960,000	0	\$ 2,650,189
Remaining to be issued	\$ 6,570,000	0	\$ 7,349,811

Debt service fund cash and temporary investment balances as of April 30, 2020:

\$ 3,178,223

Average annual debt service payment (principal and interest) for remaining term of all debt:

\$ 2,105,351

**Issues**

<b>Series 2016</b>	<b>Series 2017</b>	<b>Refunding Series 2019</b>	<b>Totals</b>
2.00% to 3.00%	2.00% to 4.00%	2.00% to 3.00%	
October 1/April 1	October 1/April 1	October 1/April 1	
October 1, 2020/2036	October 1, 2020/2038	October 1, 2020/2025	
\$ 4,250,000	\$ 4,850,000	\$ -	\$ 31,670,000
-	-	6,420,000	6,420,000
-	-	-	6,475,000
<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>1,355,000</u>
<u>\$ 4,150,000</u>	<u>\$ 4,750,000</u>	<u>\$ 6,420,000</u>	<u>\$ 30,260,000</u>
<u>\$ 110,625</u>	<u>\$ 147,375</u>	<u>\$ 89,975</u>	<u>\$ 1,072,282</u>

# Harris County Water Control and Improvement District No. 119

## Comparative Schedule of Revenues and Expenditures – General Fund

### Five Years Ended April 30,

	Amounts				
	2020	2019	2018	2017	2016
<b>General Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 447,642	\$ 419,073	\$ 399,201	\$ 215,274	\$ 147,592
Sales tax rebates	21,190	21,482	25,846	32,593	33,021
Water service	695,860	651,290	658,793	651,018	673,861
Sewer service	718,852	732,104	709,356	704,550	698,399
Regional water fee	1,044,605	914,599	844,181	658,558	577,888
Penalty and interest	31,848	33,003	31,714	25,323	27,059
Tap connection and inspection fees	37,656	81,636	59,036	43,409	78,619
Investment income	68,557	50,135	16,366	9,375	6,712
Other income	3,611	91,618	112,305	30,636	22,612
Total revenues	<u>3,069,821</u>	<u>2,994,940</u>	<u>2,856,798</u>	<u>2,370,736</u>	<u>2,265,763</u>
<b>Expenditures</b>					
Service operations:					
Purchased services	1,025,473	872,408	781,409	619,715	542,237
Regional water fee	215,685	209,007	234,385	179,060	182,527
Professional fees	138,100	139,572	197,117	141,467	124,716
Contracted services	752,926	748,569	793,958	800,750	775,393
Utilities	105,777	118,997	126,917	121,136	144,040
Repairs and maintenance	613,307	595,960	514,905	481,608	463,762
Other expenditures	117,638	100,004	115,658	120,227	120,395
Tap connections	9,973	39,550	13,977	14,534	16,254
Capital outlay	88,370	38,842	-	153,013	128,010
Debt service, debt issuance costs	-	-	-	-	7,500
Total expenditures	<u>3,067,249</u>	<u>2,862,909</u>	<u>2,778,326</u>	<u>2,631,510</u>	<u>2,504,834</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	2,572	132,031	78,472	(260,774)	(239,071)
<b>Other Financing Sources</b>					
Return of capital	331,147	331,147	331,147	331,147	331,147
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	333,719	463,178	409,619	70,373	92,076
<b>Fund Balance, Beginning of Year</b>	<u>2,819,101</u>	<u>2,355,923</u>	<u>1,946,304</u>	<u>1,875,931</u>	<u>1,783,855</u>
<b>Fund Balance, End of Year</b>	<u>\$ 3,152,820</u>	<u>\$ 2,819,101</u>	<u>\$ 2,355,923</u>	<u>\$ 1,946,304</u>	<u>\$ 1,875,931</u>
<b>Total Active Retail Water Connections</b>	<u>3,054</u>	<u>3,044</u>	<u>3,017</u>	<u>2,985</u>	<u>2,949</u>
<b>Total Active Retail Wastewater Connections</b>	<u>3,016</u>	<u>2,995</u>	<u>2,979</u>	<u>2,938</u>	<u>2,901</u>

**Percent of Fund Total Revenues**

<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
14.6 %	14.0 %	13.9 %	9.1 %	6.5 %
0.7	0.7	1.0	1.4	1.5
22.7	21.8	23.1	27.4	29.7
23.4	24.4	24.8	29.7	30.8
34.0	30.5	29.5	27.8	25.5
1.1	1.1	1.1	1.1	1.2
1.2	2.7	2.1	1.8	3.5
2.2	1.7	0.6	0.4	0.3
0.1	3.1	3.9	1.3	1.0
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
33.4	29.1	27.4	26.1	23.9
7.0	7.0	8.2	7.6	8.1
4.5	4.7	6.9	6.0	5.5
24.5	25.0	27.8	33.8	34.2
3.5	4.0	4.4	5.1	6.4
20.0	19.9	18.0	20.3	20.5
3.8	3.3	4.0	5.1	5.3
0.3	1.3	0.5	0.6	0.7
2.9	1.3	-	6.4	5.6
-	-	-	-	0.3
<u>99.9</u>	<u>95.6</u>	<u>97.2</u>	<u>111.0</u>	<u>110.5</u>
<u>0.1 %</u>	<u>4.4 %</u>	<u>2.8 %</u>	<u>(11.0) %</u>	<u>(10.5) %</u>

# Harris County Water Control and Improvement District No. 119

## Comparative Schedule of Revenues and Expenditures – Debt Service Fund

### Five Years Ended April 30,

	Amounts				
	2020	2019	2018	2017	2016
<b>Debt Service Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 2,428,677	\$ 2,455,839	\$ 2,360,591	\$ 2,382,201	\$ 2,410,136
Penalty and interest	13,249	22,378	37,378	22,306	21,349
Investment income	58,126	60,929	18,151	5,165	4,233
Other income	8,338	525	7	2,640	2,681
Total revenues	<u>2,508,390</u>	<u>2,539,671</u>	<u>2,416,127</u>	<u>2,412,312</u>	<u>2,438,399</u>
<b>Expenditures</b>					
Current:					
Professional fees	7,684	11,792	7,531	7,055	4,722
Contracted services	67,273	65,613	64,568	63,860	63,551
Other expenditures	3,297	6,618	3,954	4,523	3,116
Debt service:					
Principal retirement	1,355,000	1,185,000	1,030,000	975,000	920,000
Interest and fees	1,064,334	1,170,434	1,154,185	1,090,791	1,050,769
Debt issuance costs	243,713	-	-	-	-
Total expenditures	<u>2,741,301</u>	<u>2,439,457</u>	<u>2,260,238</u>	<u>2,141,229</u>	<u>2,042,158</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(232,911)</u>	<u>100,214</u>	<u>155,889</u>	<u>271,083</u>	<u>396,241</u>
<b>Other Financing Sources (Uses)</b>					
General obligation bonds issued	6,420,000	-	-	-	-
Premium on debt issued	324,513	-	-	-	-
Deposit with escrow agent	(6,492,267)	-	-	-	-
Total other financing sources	<u>252,246</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	19,335	100,214	155,889	271,083	396,241
<b>Fund Balance, Beginning of Year</b>	<u>3,161,162</u>	<u>3,060,948</u>	<u>2,905,059</u>	<u>2,633,976</u>	<u>2,237,735</u>
<b>Fund Balance, End of Year</b>	<u>\$ 3,180,497</u>	<u>\$ 3,161,162</u>	<u>\$ 3,060,948</u>	<u>\$ 2,905,059</u>	<u>\$ 2,633,976</u>



**Percent of Fund Total Revenues**

<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
96.8 %	96.7 %	97.7 %	98.8 %	98.8 %
0.6	0.9	1.5	0.9	0.9
2.3	2.4	0.8	0.2	0.2
<u>0.3</u>	<u>0.0</u>	<u>0.0</u>	<u>0.1</u>	<u>0.1</u>
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.3	0.4	0.3	0.3	0.2
2.7	2.6	2.7	2.7	2.6
0.1	0.3	0.2	0.2	0.1
54.0	46.7	42.6	40.4	37.7
42.5	46.1	47.8	45.2	43.1
<u>9.7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>109.3</u>	<u>96.1</u>	<u>93.6</u>	<u>88.8</u>	<u>83.7</u>
<u><u>(9.3) %</u></u>	<u><u>3.9 %</u></u>	<u><u>6.4 %</u></u>	<u><u>11.2 %</u></u>	<u><u>16.3 %</u></u>

**Harris County Water Control and Improvement District No. 119**  
**Board Members, Key Personnel and Consultants**  
**Year Ended April 30, 2020**

Complete District mailing address:	Harris County Water Control and Improvement District No. 119 Marks Richardson PC 3700 Buffalo Speedway, Suite 830 Houston, Texas 77098	
District business telephone number:	713.942.9922	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):		July 16, 2018
Limit on fees of office that a director may receive during a fiscal year:		\$ 7,200

<b>Board Members</b>	<b>Term of Office Elected &amp; Expires</b>	<b>Fees*</b>	<b>Expense Reimbursements</b>	<b>Title at Year-end</b>
John Soileau	Elected 05/18- 05/22	\$ 2,850	\$ 1,921	President
William Manning	Elected 05/18- 05/22	1,500	0	Vice President
Salvador Andrade	Elected 05/16- 05/20	1,500	0	Secretary
Andrew R. Phelps	Elected 05/16- 05/20	2,400	1,177	Assistant Secretary/ Treasurer
Matthew Pentifallo	Appointed 07/18- 05/22	1,200	0	Assistant Secretary

\*Fees are the amounts actually paid to a director during the District's fiscal year.

**Harris County Water Control and Improvement District No. 119**  
**Board Members, Key Personnel and Consultants (Continued)**  
**Year Ended April 30, 2020**

<b>Consultants</b>	<b>Date Hired</b>	<b>Fees and Expense Reimbursements</b>	<b>Title</b>
A&S Engineers, Inc.	02/10/03	\$ 124,922	Engineer
BKD, LLP	04/22/86	20,000	Auditor
Harris County Appraisal District	Legislative Action	21,373	Appraiser
Marks Richardson PC	01/14/03	144,513	General Counsel
Municipal Accounts & Consulting, L.P.	Prior to 05/01/83	27,272	Bookkeeper
Rathmann & Associates, L.P.	04/21/03	80,250	Financial Advisor
Ted A. Cox, P.C.	06/17/96	7,684	Delinquent Tax Attorney
Water District Management	Prior to 05/01/83	573,715	Operator
Wheeler & Associates, Inc.	01/01/72 or Prior	46,786	Tax Assessor/ Collector
<b>Investment Officers</b>			
Mark Burton and Ghia Lewis	01/10/18	N/A	Bookkeepers



## SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND  
INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

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

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



