

OFFICIAL STATEMENT DATED JULY 6, 2021

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL TO THE EFFECT THAT, UNDER EXISTING LAW AND ASSUMING CONTINUING COMPLIANCE WITH COVENANTS IN THE BOND ORDER, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES SUBJECT TO THE MATTERS DESCRIBED IN "TAX MATTERS" HEREIN, AND WILL NOT BE INCLUDED IN THE FEDERAL ALTERNATIVE MINIMUM TAXABLE INCOME OF THE OWNERS THEREOF. SEE "LEGAL MATTERS" AND "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District designated the Bonds as "Qualified Tax-Exempt Obligations" for the purposes of the calculation of interest expense by financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions" herein.

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 414917

RATING: Insured "AA" (stable outlook) S&P
See "MUNICIPAL BOND RATING" and "BOND INSURANCE" herein

\$6,200,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT No. 50
(A political subdivision of the State of Texas, located in Harris County, Texas)
UNLIMITED TAX BONDS
SERIES 2021

Dated: July 1, 2021

Due: March 1 (as shown below)

Interest on the Bonds (the "Bonds" or the "Series 2021 Bonds") will accrue from July 1, 2021, and will be payable on March 1, 2022 and each September 1 and March 1 thereafter. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar 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" herein. The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Houston, Texas. See "THE BONDS."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM").



MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate (%)</u>	<u>Yield to Maturity(a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate (%)</u>	<u>Yield to Maturity(a)</u>
\$125,000	2024	4.000%	0.60%	\$200,000	2032(b)	2.000%	1.80%
\$150,000	2025	4.000%	0.75%	\$200,000	2033(b)	2.000%	1.90%
\$150,000	2026	4.000%	0.90%	\$200,000	2034(b)	2.000%	2.00%
\$175,000	2027	4.000%	1.00%	\$225,000	2035(b)	2.000%	2.05%
\$175,000	2028(b)	2.000%	1.15%	\$225,000	2036(b)	2.000%	2.10%
\$175,000	2029(b)	2.000%	1.30%	\$225,000	2037(b)	2.000%	2.15%
\$175,000	2030(b)	1.500%	1.65%	\$225,000	2038(b)	2.000%	2.20%
\$200,000	2031(b)	2.000%	1.65%	\$250,000	2039(b)	2.125%	2.25%

\$3,125,000 2.30% Term Bond Due March 1, 2050 to Yield 2.45% (a) (b) (c)

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after March 1, 2028, are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on March 1, 2027, or on any date thereafter, at a price equal to the par value 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, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity. See "THE BONDS – Optional Redemption."
- (c) Subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Mandatory Redemption."

The proceeds of the Bonds will be used by Harris County Municipal Utility District No. 50 (the "District") to: (1) reimburse a developer for certain water, sewer, and drainage facilities including the related engineering costs, platting costs, and land costs; (2) pay for certain central water supply and waste water treatment facilities; (3) pay for a district administration and education building; (4) pay a developer for certain interest costs; (5) fund six months of capitalized interest on the bonds; and (6) pay issuance and administrative expenses associated with the issuance of the Bonds. See "USE OF BOND PROCEEDS." The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Sources of and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, Crosby, Texas, nor any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, or Crosby, Texas, is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain RISK FACTORS described under the caption "RISK FACTORS."**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Houston, Texas, Bond Counsel. Certain other matters will be passed upon on behalf of the District by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about July 29, 2021.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not registered or 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 Bond Counsel, upon payment of duplication costs.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep their 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. See "OFFICIAL STATEMENT – Updating of Official Statement."

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.087363% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 2.419336%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

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

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold or offered to the public. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

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

The District has no control over the reoffering yields or prices of the Bonds or over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of road improvement district bonds may be greater than 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.

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities 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 jurisdiction.

MUNICIPAL BOND RATING

S&P Global Ratings ("S&P") has assigned its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "BOND INSURANCE."

BOND INSURANCE

Bond Insurance Policy

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

Build America Mutual Assurance Company

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

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

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

Capitalization of BAM

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

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

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

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

Additional Information Available from BAM

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

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

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

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

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement.

THE BONDS

- Description:** The Harris County Municipal Utility District No. 50 Unlimited Tax Bonds, Series 2021 (the "Series 2021 Bonds" or the "Bonds"), are dated July 1, 2021, and issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, an approving order of the Texas Commission on Environmental Quality ("TCEQ") and order (the "Bond Order") of the Board of Directors of Harris County Municipal Utility District No. 50 (the "District").
- The Bonds mature on March 1 in the years and in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds is payable on March 1, 2022 and each September 1 and March 1 thereafter until maturity or prior redemption.
- Redemption Provisions:** The Bonds maturing on or after March 1, 2028, are subject to early redemption, in whole from time to time or part, on March 1, 2027, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Optional Redemption." The Bond maturing on March 1 in the year 2050 is a Term Bond and is subject to annual mandatory sinking fund redemption beginning on March 1 in the year 2040. See "THE BONDS – Mandatory Redemption."
- Book-Entry-Only System:** The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. So long as Cede & Co., as the Paying Agent to DTC, is the registered owner of the Bonds, principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar 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."
- Risk Factors:** The Bonds are subject to certain risk factors as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."
- Sources of Payment:** The Bonds are payable from a continuing, direct, annual ad valorem tax upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. See "TAXING PROCEDURES." With respect to payment from taxes, the Bonds are further payable equally and ratably with outstanding bonds of the District and with bonds to be issued in the future by the District. See "THE BONDS -- Sources of and Security for Payment." The Bonds are obligations of the District, and are not obligations of the State of Texas, Harris County, Texas, Crosby, Texas, or any other political subdivision or agency. See "THE BONDS -- Sources of and Security for Payment."
- Use of Proceeds:** The proceeds of the Bonds will be used by the District to: (1) reimburse a developer for certain water, sewer, and drainage facilities including the related engineering costs, platting costs, and land costs; (2) pay for certain central water supply and waste water treatment facilities; (3) pay for a district administration and education building; (4) pay a developer for certain interest costs; (5) fund six months of capitalized interest on the bonds; and (6) pay issuance and administrative expenses associated with the issuance of the Bonds. See "USE OF BOND PROCEEDS."
- Municipal Bond Insurance and Rating:** S&P has assigned its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. See "MUNICIPAL BOND RATING," "BOND INSURANCE," and APPENDIX B – Specimen Municipal Insurance Policy."
- Payment Record:** The District has never defaulted on the payment of interest or principal on its outstanding bonds. See "THE BONDS."
- Qualified Tax-Exempt Obligations:** The District designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended (the "Code") and represents that the total amount of tax-exempt bonds (including the Bonds) to be issued by the District during the calendar year 2021 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS – Qualified Tax Exempt Obligations for Financial Institutions."

Paying Agent/Registrar: Zions Bancorporation, National Association, Houston, Texas.

Legal Opinion: Norton Rose Fulbright US LLP, Houston, Texas, Bond Counsel.

THE DISTRICT

Description: The District is a special district created by order of the Texas Water Rights Commission, predecessor to the TCEQ on May 22, 1973. The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Texas Constitution, as well as the general laws of the State of Texas, specifically, Chapters 49 and 54, of the Texas Water Code, as amended. The principal functions of the District are to finance and construct certain water, sewer, and drainage facilities and to provide such facilities to the land within the District.

The District is located in northeast Harris County, approximately 18 miles from the City of Houston's central business district. The District is not within the exclusive extraterritorial jurisdiction of any city. The District presently includes approximately 1,195 acres. The District is located generally at the intersection of State Highway 90 and Crosby Lynchburg Road (FM 2100) immediately to the south of the City of Crosby, Texas. The District lies wholly within the Crosby Independent School District. See "THE DISTRICT -- Authority, Purpose, and Functions" and "-- Description and Location."

Status of Residential Development:

Historically the residential homebuilding development in the District has taken place in the subdivisions known as Barrett Station, Dreamland Place, St. Charles Place, Arcadian Garden, Sections 1 – 5 and Section 7. Most recently, homebuilding has taken place in the Kodiak Crossing Subdivision, Sections 1 – 4. As of May 1, 2021, the District contained approximately 1,260 complete and occupied single family homes, approximately 27 homes under construction, and approximately 302 vacant developed lots.

Commercial Development in the District:

Commercial development in the District includes: a car dealership, a Tractor Supply retail outlet, two multi-family complexes (approximately 23 units), a funeral home, a crematorium, a cemetery, two gas stations, a small grocery store, two day care centers, a motel and an RV park. Additionally, development in the District includes: an elementary school and seven churches.

The District also serves approximately 193 out-of-District homes in Arcadian Garden, Section 6 and an elementary school located outside of the boundaries of the District.

Developer in the District: The Developer of the Kodiak Crossing subdivision is Kodiak Crossing I, Ltd., a Texas Limited Partnership, acting by and through its General Partner, Kodiak Crossing LLC, a Texas Limited Liability Company (the "Developer"). Mr. Earl W. Wilburn, Jr is a manager of Kodiak Crossing LLC. Kodiak Crossing, Sections 1 – 4 currently include approximately 66 acres that have been developed into 282 single family lots. As of May 1, 2021, there were 221 completed homes, 27 homes under construction, and 43 vacant developed lots. Newly constructed homes in Kodiak Crossing are being constructed by K. Hovnanian Homes and Devon Street Homes and are marketed in the \$225,000 - \$315,000 price range.

Summary of Land Use: As of May 1, 2021, the approximate land use in the District is in the table below:

<u>Type of Land Use</u>	<u>Approximate Acres</u>
Fully Developed Acres	938
Acres Currently Being Developed	0
Additional Developable Acreage	20
Other Undevelopable Acres	<u>237</u> (a)
Total Approximate Acres	1,195

(a) Includes undevelopable acres for Homeowner's Association recreation facilities, detention ponds, drainage ponds, drainage rights-of-way, flood plain, and road rights-of-way.

Infectious Disease Outlook (COVID-19):

The World Health Organization declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. As described herein under "RISK FACTORS – Infectious Disease Outlook (COVID-19)", federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas. On March 2, 2021, the Governor issued Executive Order GA-34 whereby he ordered there be no operating limits for any business or other establishment, except in counties experiencing certain hospitalization rates.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available, but are generally as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not necessarily indicative of the economic impact of the Pandemic on the District's financial condition.

RISK FACTORS

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

SELECTED FINANCIAL INFORMATION

(Unaudited)

1/1/2021 Estimated Taxable Value	\$164,924,394	(a)
2020 Taxable Value	\$154,666,177	(b)
Direct Debt (See "DISTRICT DEBT")		
Outstanding Bonds (as of June 1, 2021)	\$9,960,000	
Plus the Series 2021 Bonds	<u>\$6,200,000</u>	
Total Direct Debt	\$16,160,000	
Estimated Overlapping Debt	<u>\$10,203,356</u>	
Direct and Estimated Overlapping Debt	\$26,363,356	
Percentage of Direct Debt to:		
1/1/2021 Estimated Taxable Value	9.80%	
2020 Taxable Value	10.45%	
See "DISTRICT DEBT"		
Percentage of Direct and Overlapping Debt to:		
1/1/2021 Estimated Taxable Value	15.99%	
2020 Taxable Value	17.05%	
See "DISTRICT DEBT"		
2020 Tax Rate Per \$100 of Assessed Value:		
Debt Service	\$0.70	
Maintenance Tax	<u>\$0.29</u>	
Total 2020 Tax Rate	\$0.99	
Approximate General Fund Cash Balance (5-27-2021)	\$4,038,704	
Approximate Debt Service Fund Cash Balance (5-27-2021)	\$1,448,767	(c)

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- (a) Reflects data supplied by the Harris County Appraisal District ("HCAD"). The Estimated Taxable Value as of 1/1/2021 was prepared by HCAD and provided to the District. Such values are not binding on HCAD, and the new values (subsequent to January 1, 2020) will not be included on the District's tax roll until the 2021 tax roll is prepared and certified by HCAD during the second half of 2021. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the 2020 Certified Taxable Value according to data supplied to the District by HCAD. See "TAX DATA – Analysis of Tax Base."
- (c) Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Debt Service Fund. See "TAX DATA – Tax Adequacy for Debt Service."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the District's outstanding bonds plus the debt service requirements on the Series 2021 Bonds.

<u>Year</u>	<u>Existing Debt Service Requirements</u>	<u>Plus: Debt Service on the Series 2021 Bonds</u>		<u>Total Debt Service Requirements</u>
		<u>Principal</u>	<u>Interest</u>	
2021	\$706,037			\$706,037
2022	\$703,135		\$168,947	\$872,082
2023	\$709,356		\$144,812	\$854,168
2024	\$709,705	\$125,000	\$142,312	\$977,017
2025	\$704,272	\$150,000	\$136,812	\$991,084
2026	\$717,899	\$150,000	\$130,812	\$998,711
2027	\$710,618	\$175,000	\$124,312	\$1,009,930
2028	\$717,489	\$175,000	\$119,062	\$1,011,551
2029	\$644,164	\$175,000	\$115,562	\$934,726
2030	\$646,454	\$175,000	\$112,500	\$933,954
2031	\$648,864	\$200,000	\$109,187	\$958,051
2032	\$655,695	\$200,000	\$105,187	\$960,882
2033	\$651,897	\$200,000	\$101,187	\$953,084
2034	\$554,889	\$200,000	\$97,187	\$852,076
2035	\$406,515	\$225,000	\$92,937	\$724,452
2036	\$251,027	\$225,000	\$88,437	\$564,464
2037	\$256,648	\$225,000	\$83,937	\$565,585
2038	\$257,035	\$225,000	\$79,437	\$561,472
2039	\$262,224	\$250,000	\$74,531	\$586,755
2040	\$262,188	\$250,000	\$69,000	\$581,188
2041	\$266,928	\$250,000	\$63,250	\$580,178
2042	\$261,538	\$275,000	\$57,212	\$593,750
2043	\$266,016	\$275,000	\$50,887	\$591,903
2044	\$270,250	\$275,000	\$44,562	\$589,812
2045	\$274,239	\$275,000	\$38,237	\$587,476
2046	\$277,975	\$300,000	\$31,625	\$609,600
2047	\$276,520	\$300,000	\$24,725	\$601,245
2048	<u>\$146,631</u>	\$300,000	\$17,825	\$464,456
2049		\$300,000	\$10,925	\$310,925
2050		<u>\$325,000</u>	<u>\$3,737</u>	<u>\$328,737</u>
	\$13,216,208	\$6,200,000	\$2,439,143	\$21,855,351

Maximum Annual Debt Service Requirements (2028)..... \$1,011,551

\$0.65 Tax Rate on the 1/1/2021 Estimated Taxable Value of \$164,924,394
 @ 95% collections produces..... \$1,018,408

\$0.69 Tax Rate on the 2020 Taxable Value of \$154,666,177
 @ 95% collections produces..... \$1,013,837

\$6,200,000

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT No. 50
(A political subdivision of the State of Texas, located within Harris County, Texas)**

Unlimited Tax Bonds

Series 2021

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the Harris County Municipal Utility District No. 50 Unlimited Tax Bonds, Series 2021 (the "Bonds") or (the "Series 2021 Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, specifically Chapters 49 and 54, Texas Water Code, as amended, an approving order of the TCEQ (the "TCEQ Order"), an election held within and for the District on May 7, 2005, and an order (the "Bond Order") adopted by the Board of Directors of Harris County Municipal Utility District No. 50 (the "District"), a political subdivision of the State of Texas located within Harris County, Texas. This Official Statement includes descriptions of the Bonds, the Bond Order and certain information about the District and its financial condition. 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's Bond Counsel upon payment of costs of duplication thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, Crosby, Texas, or any other political subdivision other than the District. The Bonds are secured by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. See "THE BONDS – Sources of and Security for Payment." The security for payment of the principal or of interest on the Bonds depends on the District's ability to collect taxes levied against property within the District in an amount sufficient to pay debt service on the Bonds when due. The District makes no representation that over the term of the Bonds taxable property within the District will maintain values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property if the District forecloses on property subject to the District's tax lien. Further, the collection of delinquent taxes due the District, and the enforcement by a bondholder of the District's obligation to collect sufficient taxes, may be costly and lengthy processes. See " - Tax Collections" and " - Registered Owners' Remedies" herein and "THE BONDS--Sources of and Security for Payment."

Infectious Disease Outlook (COVID-19)

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

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. On March 2, 2021, the Governor issued Executive Order GA-34 whereby he ordered there be no operating limits for any business or other establishment, except in Trauma Service Areas that have had seven consecutive days in which the number of COVID-19 hospitalized patients as a percentage of total hospital capacity exceeds 15 percent, in which case the county judge may order COVID-19 mitigating measures not to include requiring the use of face coverings. Pursuant to Executive Order GA-34, such COVID-19 mitigating measures would remain in effect until such time as the Trauma Service Area has seven consecutive days in which the number of COVID-19 hospitalized patients as a percentage of total hospital is 15 percent or less. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

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

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

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

Tax Collections

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 ad valorem tax levy constitutes a lien on the property against which taxes are levied in favor of the District. Such lien is on a parity with the liens of all other state and local taxing authorities on such property and may be enforced by foreclosure. However, ad valorem tax collection through foreclosure may be impaired by: (a) cumbersome, time-consuming, and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures, (c) market conditions affecting the marketability of taxable property within the District at foreclosure sale of such property, (d) adverse effects on marketability from a taxpayer's limited right to redeem its foreclosed property, (e) sale or transfer of personal property to bona fide purchasers, or (f) insufficient foreclosure proceeds to satisfy the tax liens of all state and local taxing authorities with 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. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the 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 (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) 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

If the District defaults in the payment of principal of, interest on, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages. Even if such sovereign immunity were waived and a judgment against the District for money damages were obtained, the judgment could not be enforced by 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 to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or 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.

Economic Factors

The maintenance of taxable values in the District is directly related to the local housing and building industry. The housing and building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions. A return of relatively high mortgage interest rates may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District. Commercial building in the District could also be adversely affected by such economic developments.

The availability of mortgage and development funds have a direct impact on construction and building activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for development or building costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The return of long-term interest rates at higher levels may negatively affect home sales and therefore taxable value in the District.

The Houston metropolitan area has, during the past, experienced economic downturns (especially during periods of relatively low oil and natural gas prices). These factors could affect the demand for residential homes and commercial development and hence

the maintenance of property values or the maintenance of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, could have an adverse impact on sale prices for homes and, consequently, could materially adversely affect property values or, in some instances, cause builders to abandon home building plans altogether.

Potential Effects of Oil Price Declines on the Houston Area

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

Dependence on Construction of Future Improvements

In 2020, the District levied a debt service tax and an operation and maintenance tax for a total tax rate of \$0.99 per \$100 of assessed valuation. Tax rates in future years may be higher. Should no development occur in the District beyond that reflected by its 1/1/2021 Estimated Taxable Value, a debt service tax rate of \$0.65 per \$100 assessed valuation at 95% collection, would be required to pay the District's maximum annual debt service requirements, including the Bonds. Should no development occur in the District beyond that reflected by its 2020 Taxable Valuation, a debt service tax rate of \$0.69 per \$100 assessed valuation at 95% collection, would be required to pay the District's maximum annual debt service requirements, including the Bonds. See " – Future Debt" herein and "TAX DATA -- Tax Adequacy for Debt Service."

Landowners/Developer under No Obligation to the District

The Developer have informed the District of the current plans to continue to develop land in the District. However, neither the Developer nor any other landowner within the District has any commitments or obligations to proceeds at any particular rate or according to any specified plan with the development of land or the construction of homes in the District. Currently, there is no restriction on any landowner's right (including the Developer) to sell its land. Failure to construct taxable improvements on developed lots (currently existing or anticipated to be created by the Developer) or on commercial tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District as it has in the past. The District is also dependent upon certain principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such conditions may have on their ability to pay taxes. See "TAX DATA – Principal Taxpayers."

Future Debt

At an election held on May 7, 2005, voters in the District authorized the issuance of \$32,186,000 in bonds. The District has reserved in the Bond Order the right to issue its remaining \$14,401,000 authorized but unissued unlimited tax bonds after the issuance of the Bonds. All of the remaining \$14,401,000 unlimited tax bonds which have heretofore been authorized by the voters of the District are for construction of water, sewer, and drainage facilities or the refunding of such bonds previously issued. The authorized but unissued bonds may be issued by the District from time to time for qualified purposes, as determined by the Board, subject to the approval of the Attorney General of the State of Texas and, for construction of certain facilities, the TCEQ.

According to the District's engineer, it will be necessary for the District to issue additional bonds to finance its share of the costs of certain facilities serving land currently within the District. The Engineer has advised the District that the amount of authorized but unissued bonds is adequate to finance the District share of the facility costs remaining to be financed by the District based upon currently anticipated land uses.

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 which have heretofore been authorized by the voters of the District, may be issued by the District from time to time as needed. Voters could authorize the issuance of additional bonds in the future. Any future new money bonds to be issued by the District must be approved by the TCEQ. Any additional new money bonds or refunding bonds would be issued on a parity with the Bonds. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS – Issuance of Additional Debt."

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park project and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, unless certain circumstances are met, the outstanding principal amount of such bonds generally may not exceed an amount equal to one percent of the value of the taxable property in the District. The District has not authorized park bonds.

The current law may be changed in a manner to increase the amount of bonds that may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "LEGAL MATTERS."

Marketability

The District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price 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 such bonds are generally bought, sold or traded in the secondary market.

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. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) has either obtained the agreement of, or negotiated in good faith with, its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary 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 Owners could potentially and adversely impair the value of the Registered Owners' 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 debts. 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 the district.

Environmental Regulations

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

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

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production

and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the 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 nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

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

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

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

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

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

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

No Surface Water Conversion to Date

The District is within the boundaries of the Harris-Galveston Coastal 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. The Subsidence District has provided the District with several waivers of the requirements for the District to convert to surface water, called a Groundwater Conservation Plan. The most recent waiver was granted to the District on November 13, 2019 and will expire on November 12, 2024. Because the District is not located within a Regional Water Authority and because the District does not have access to a Regional Water Plant without incurring costs, that makes such conversion impractical.

Under the Subsidence District Area 2 regulations entities within the boundaries of the Subsidence District were required to limit groundwater withdrawals to no more than 80% of the total water demand by January 9, 2013. Recent changes in the Area 2 rules

allow for submittal of a groundwater reduction plan for entities that have not converted to surface water. If an entity fails to comply with a Subsidence District's requirements, an entity is subject to an \$9.58 per 1,000 gallons disincentive fee penalty ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of the maximum amount allowed by the Subsidence District. As noted above, the District has never been required to pay Disincentive Fees to the Subsidence District and does not anticipate that it will be required to pay such Disincentive Fees in the future.

If the District did not receive the necessary waivers and if the District failed to comply with surface water conversion requirements mandated by the Subsidence District, the Subsidence District could seek monetary or other penalties against the District. The amount of the Disincentive Fees imposed by the Subsidence District are subject to increases in the future.

Changes in Tax Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or ending legislation, regulatory initiatives or litigation.

Hurricane Harvey

The Houston area (including Harris County) sustained widespread rain and flooding damage as a result of Hurricane Harvey's landfall along the Texas gulf coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to the observations of the District's Engineer, the System serving the District did not sustain any significant damage and there was no interruption of water and sewer service. According to observations of the District's Engineer and the District's Board Members, approximately 8 homes in the District experienced some flooding during Hurricane Harvey.

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. The greater Houston area, including the District, has experienced four storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015. 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.

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.

Inclement Weather

The District is located approximately 90 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to 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 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 would be adversely affected.

Recent Winter Weather Event - Between February 14 and February 19, 2021, the State of Texas experienced a severe winter storm causing widespread, record breaking cold temperatures throughout the State. As a result of the winter storm, there were widespread disruptions to the operations of Texas electric and gas utilities, which have been widely reported in the press, and approximately four million Texas residents lost power for significant portions of the week. The power outages caused water pipes to burst, resulting in damage to many structures, and in some areas affected the safety of the public water supply for a period of time. The President declared a major disaster in the State, making disaster assistance from the Federal Emergency Management Agency

("FEMA") available to homeowners and businesses which sustained damage. The District did not experience any financial loss related to the storm. While the District continues to assess the overall impact of the storm, the District does not anticipate a material adverse impact on its operations or financial condition as a result of the storm. There are special taxing procedures for areas declared to be disaster area which could affect the amount of taxes due and when they are collected. See "TAXING PROCEDURES—Valuation of Property for Taxation" and "—Delinquent Tax Payments for Disaster Areas."

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

Temporary Tax Exemption for Property Damaged by Disaster

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

Tax Payment Installments after Disaster

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

A district may adopt an exemption for a portion of the value of property damaged by a declared national disaster based on the percentage of damage to the property.

Harris County Floodplain Regulations

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

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

The new and amended Harris County regulations may have a negative impact on new development in and around the District as well as on the rehabilitation of existing homes impacted by flooding or other natural disasters.

Atlas 14

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.

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 applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by an issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the policy insurer (the "Bond Insurer") at such time and in such amounts as would have been due absent such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond 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 Bond 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 Bond Insurer and its claim paying ability. The Bond 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 Bond Insurer and of the ratings on the Bonds insured by the Bond 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 description of "INSURED MUNICIPAL BOND RATING" herein.

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond 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 Underwriter has made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond 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 Bond Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. A copy of the Bond Order may be obtained from the District upon request to Bond Counsel. 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.

The Bonds will bear interest at the per annum rates and are scheduled to mature on March 1 in the years and as to the principal amounts shown on the cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds accrues from July 1, 2021, and will be payable on March 1, 2022, and each September 1 and March 1 thereafter until maturity or earlier redemption. Such interest on the Bonds due on each interest payment date will be payable to the persons in whose names such Bonds are registered (the "Registered Owner") as of the 15th day (whether or not a business day) of the calendar month prior to each interest payment date (the "Record Date").

Principal and redemption price of the Bonds are payable at the principal payment office of Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar") upon presentation and surrender of the Bonds.

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

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC")

pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. So long as Cede & Co., as the Paying Agent to DTC, is the registered owner of the Bonds, principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

In the event that Book-Entry-Only System is discontinued and physical Bond certificates issued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

If the date for payment of the principal or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day without additional interest and with the same force and effect as if made on the specified date for such payment.

Authority for Issuance

The Bonds constitute the District's thirteen issue of new money bonds authorized by the voters in the District. The Bonds were authorized at an election held within the District on May 7, 2005. Subsequent to the sale and delivery of the Bonds, the District will have \$14,401,000 authorized but unissued bonds from the bond election (the "Bond Election") conducted on May 7, 2005.

The Bonds are issued by the District pursuant to the bond election held on May 7, 2005, the terms and provisions of the Bond Order, an approving order of the TCEQ, Article XVI, Section 59 of the Texas Constitution, and general laws of the State of Texas, specifically, Chapters 49 and 54, Texas Water Code, as amended.

Optional Redemption

The Bonds with Stated Maturities on and after March 1, 2028, may be redeemed at the option of the District on notice mailed to the Registered Owners thereof not less than 30 days prior to the Redemption Date as provided in the Bond Order, as a whole or from time to time in part on any date prior to their Stated Maturity, but not before March 1, 2027, upon payment of the Redemption Price which will be the principal amount thereof together with interest, if any, accrued thereon from the most recent Interest Payment Date to the Redemption Date. If fewer than all of the Bonds are redeemed, the Bonds to be redeemed shall be selected, on behalf of the district, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity.

Mandatory Redemption

The Bond maturing on March 1 in the year 2050 (the "Term Bond") shall be subject to annual mandatory sinking fund redemption as shown on the table below.

\$3,125,000 Term Bond, due March 1, 2050

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2040	\$250,000
March 1, 2041	\$250,000
March 1, 2042	\$275,000
March 1, 2043	\$275,000
March 1, 2044	\$275,000
March 1, 2045	\$275,000
March 1, 2046	\$300,000
March 1, 2047	\$300,000
March 1, 2048	\$300,000
March 1, 2049	\$300,000
March 1, 2050 (maturity)	\$325,000

Notice of Redemption

Notice of redemption shall be mailed by the Paying Agent/Registrar in the name and at the expense of the District, not less than 30 days prior to the redemption date, to each Registered Owner of Bonds to be redeemed. All notices of redemption shall state:

1. the redemption date;
2. the redemption price;

3. the principal amount and identification (by CUSIP number (if obtained for the Bonds), stated maturity, interest rate, dated date, and, in the case of partial redemption within a stated maturity, the respective Bond numbers and principal amounts) of Bonds to be redeemed;
4. that on the redemption date the redemption price of each of the Bonds to be redeemed will become due and payable and that interest thereon shall cease to accrue from and after said date; and
5. that the Bonds to be redeemed are to be surrendered for payment of the redemption price at the place of payment, and the address of such place of payment. The notice of redemption must state if redemption is conditioned on issuance of refunding bonds or other obligations to pay the redemption price.

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any integral multiple thereof) and upon any partial redemption of any such Bond the same shall be surrendered in exchange for one or more new Bonds of the same Stated Maturity in authorized denominations for the unredeemed portion of principal. Bonds (or portions thereof as aforesaid) for whose redemption and payment provision is made in accordance with the Bond Order will cease to bear interest from and after the Redemption Date.

Sources of and Security for Payment

The Bonds are payable from the proceeds of a continuing, annual ad valorem tax levied, without legal limitation as to rate or amount, against taxable property located within the District. In the Bond Order, the District covenants to levy a tax sufficient in amount to pay principal of and interest on the Bonds when due, full allowance being made for delinquencies and costs of collection, and undertakes to collect such tax. The net proceeds from taxes levied for debt service purposes will then be deposited in the District's Bond Fund and used solely to pay principal of and interest on the Bonds, the District's outstanding bonds, and on any additional bonds payable from taxes which the District may hereafter issue.

Defeasance

Any Bond is deemed to be paid and is no longer be considered to be a Bond, within the meaning of the Bond Orders, when payment of the principal of and interest on such Bond to the maturity date thereof or (if notice of redemption shall have been duly given, irrevocably provided for, or waived as provided herein) to the Redemption Date which has been made, or provided for, by deposit with the Paying Agent/Registrar (or with any other bank or trust company which has agreed to hold the same for such purpose) for such payment of: (1) money sufficient to make such payment, (2) Governmental Obligations certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Governmental Obligations together so certified sufficient to make such payment, *provided* that all the expenses pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Paying Agent (and to such other bank or trust company).

Any money and Governmental Obligations deposited for such purpose shall be held by the Paying Agent/Registrar (or other bank or trust company) with which such deposit is made in a segregated account in trust or escrow for the Registered Owners of the Bonds with respect to which such deposit is made and, together with any investment income therefrom, shall be disbursed solely to pay the principal of and interest on such Bonds when due, *except* that cash receipts may be withdrawn and paid to the District provided the date and amount of such withdrawals are taken into account in the most recent verification of the accounting firm referred to in this Section. No money or Governmental Obligations so deposited shall be invested or reinvested unless in Governmental Obligations and unless such money and Governmental Obligations not invested and such new investments are together certified by an independent public accounting firm of national reputation to be of such amounts, maturities, and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment.

"*Governmental Obligations*" means: (1) direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, or (2) obligations authorized under Texas law from time to time for discharge and final payment of political or governmental subdivisions which, at the time of deposit have been assigned ratings in the highest rating category of either Moody's Investors Service or Standard & Poor's Corporation, or any successor to the bond operations of either of such corporations, *but* in the case of both *Clauses* (1) and (2) only if such obligations may not be called for redemption prior to maturity.

Funds

The Bond Order confirms the previous establishment of the District's Bond Fund. The Bond Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar.

Issuance of Additional Debt

If authorized by the District's voters and by the Board, the District may issue bonds necessary to provide and maintain improvements for which the District was created. See "THE DISTRICT." At the Bond Election, the District's voters authorized the

issuance of \$32,186,000 principal amount of unlimited tax bonds of which \$14,401,000 remain authorized but unissued after the sale of the Bonds. The District may authorize additional amounts in future elections. It is currently anticipated that such bond authorization will be adequate to fund the District's share of facility costs to complete the development of the District. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District. In the Bond Order the District further reserves the right to issue revenue bonds, inferior lien bonds, refunding bonds and other obligations.

Successor Paying Agent/Registrar

The initial Paying Agent/Registrar is Zions Bancorporation, National Association. The District agrees in the Bond Order to at all times maintain an agency, meeting the qualifications therein described, for the performance of the duties of the Paying Agent/Registrar. The Paying Agent/Registrar may be removed from its duties at any time with or without cause by action of the Board of Directors of the District with not less than 30 days notice to each Bond Registered Owner specifying the substitution of another Paying Agent/Registrar, the effective date thereof, and the address of such successor Paying Agent/Registrar, but no such removal is effective until such successor has accepted the duties of the Paying Agent/Registrar hereunder by written instrument.

The Bond Order requires that every Paying Agent/Registrar will at all times be a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$10,000,000, subject to supervision or examination by federal or state authority, and registered as a transfer agent with the Securities and Exchange Commission.

Registration, Transfer, and Exchange

Upon surrender for transfer of any Bond at the place of payment, the District shall execute, and the Paying Agent/Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new fully registered Bonds of the same stated maturity, of any authorized denominations, and of a like aggregate principal amount.

At the option of the Registered Owner, Bonds may be exchanged for other Bonds of the same Stated Maturity, of any authorized denominations, and of like aggregate principal amount, upon surrender of the Bonds to be exchanged at the Place of Payment. Whenever any Bonds are so surrendered for exchange, the District shall execute, and the Paying Agent/Registrar shall authenticate and deliver, the Bonds which the Registered Owners of Bonds making the exchange is entitled to receive.

All Bonds issued upon any transfer or exchange of Bonds shall be valid obligations of the District, evidencing the same debt, and entitled to the same benefits under the Order, as the Bonds surrendered upon such transfer or exchange.

Every Bond presented or surrendered for transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the District and the Paying Agent/Registrar duly executed, by the Registered Owner thereof or his attorney duly authorized in writing.

No service charge shall be made to the Registered Owner for any registration, transfer, or exchange of Bonds, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Neither the District nor the Paying Agent/Registrar shall be required (1) to transfer or exchange any Bond during a period beginning at the opening of business 15 days before the day of the first mailing of a notice of redemption of Bonds hereunder and ending at the close of business on the day of such mailing or (2) thereafter to transfer or exchange in whole or in part any Bond so selected for redemption.

Replacement of Mutilated, Lost or Stolen Bonds

If (1) any mutilated Bond is surrendered to the Paying Agent/Registrar, or the District and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (2) there is delivered to the District and the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the District or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchaser, the District will execute and upon its request the Paying Agent/Registrar shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the District in its discretion may pay such Bond instead of issuing a new Bond.

Upon the issuance of any new Bond, the District or the Paying Agent/Registrar may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith.

Approval of the Bonds

As required by law, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon nor guarantee the safety or appropriateness of the Bonds as an investment, nor pass upon the adequacy or accuracy of the information contained in this Official Statement.

Amendments

The District may, without the consent of or notice to any Registered Owner, from time to time and at any time amend the Bond Order in any manner not detrimental to the interests of the Registered Owners of the Bonds, including the curing of any ambiguity, inconsistency, or formal defect or omission herein or therein. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order except that, notwithstanding the foregoing, without the consent of the Registered Owners of all of the affected Outstanding Bonds, no such amendment, addition, or rescission may (1) change the Stated Maturity of the Bonds or any installment of interest thereon, reduce the principal amount thereof, the Redemption Price therefor, or the rate of interest thereon, change the place or places at, or the coin or currency in, which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, (3) modify the provisions of the proviso to the definition of the term "Outstanding", or (4) modify any of the provisions governing amendments, except to increase the percentage provided hereby or to provide that certain other provisions of the Bond Order cannot be modified or waived.

Any consent to any amendment of the Bond Order by the Registered Owner of any Bond shall bind every future Registered Owner of the same Bond and the Registered Owner of every Bond issued upon transfer or in lieu thereof or in exchange therefor, in respect of anything done or suffered to be done by the District in reliance thereon, whether or not notation of such action is made upon such Bond.

BOOK-ENTRY-ONLY SYSTEM

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

The District and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States 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, New York, 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 or Maturity Value, as the case may be, 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. 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 Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, who will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 securities 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 Certificate 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 fewer than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

All 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 Bonds 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. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are 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, securities are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

USE OF BOND PROCEEDS

The proceeds of the Bonds will be used by the District to reimburse a developer for certain water, sewer, and drainage facilities including the related engineering costs, platting costs, and land costs; to pay for certain central water supply and waste water treatment facilities; to pay for a district administration and education building; to reimburse a developer for certain interest costs; to fund six months of capitalized interest on the bonds; and to pay issuance and administrative expenses associated with the issuance of the Bonds.

The Engineer has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds is as follows:

CONSTRUCTION COSTS:	<u>Total Amount</u> (a)
Developer Contribution Items	
Remaining Costs for Kodiak Crossing Mass Excavation & Grading	\$122,022
Kodiak Crossing, Sections 2 & 3 – W, WW, D & Detention Improvements	\$1,492,152
Miscellaneous Expenses for Detention Improvements	\$6,826
Electric Service for Kodiak Crossing Lift Station	\$3,225
Engineering and Materials Testing for Item No. 2	\$270,311
Materials Testing for Kodiak Crossing Section 1 – W, WW, & D	<u>\$32,335</u>
<i>Total Developer Contribution Items</i>	\$1,926,871
District Items	
Water Plant No. 3 Expansion	\$950,000
WWTP No. 1 Improvements	\$485,000
Bal Harbor Lift Station & Force Main Realignment	\$700,000
Wastewater System Rehabilitation	\$285,000
Administration & Education Building	\$250,000
Land Acquisition for Surface Water Plant	\$75,000
Contingencies	\$137,250
Engineering	\$288,225
Land Acquisition Costs (Kodiak Crossing Lift Station & Detention)	<u>\$122,490</u>
<i>Total District Items</i>	\$3,292,965
TOTAL CONSTRUCTION COSTS	<u>\$5,219,836</u>
NON-CONSTRUCTION COSTS:	
Legal Fees	\$130,325
Fiscal Agent Fees	\$104,260
Capitalized Interest	\$72,406
Developer Interest	\$341,362
Bond Discount	\$180,583
Bond Issuance Expenses	\$55,767
Bond Application Report	\$40,000
Attorney General Fee	\$6,200
TCEQ Bond Issuance Fee	\$15,500
Contingency	<u>\$33,761</u> (b)
TOTAL NON-CONSTRUCTION COSTS	<u>\$980,164</u>
TOTAL BOND ISSUE REQUIREMENT	<u>\$6,200,000</u>

-
- (a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities. The District was granted a waiver from the TCEQ.
 - (b) The District will designate any surplus Bond proceeds resulting from the sale of the Bonds at a lower interest rate than the estimated rate as a contingency line item in the Final Official Statement. Such funds will be used by the District to fund costs only after approval by the TCEQ.

THE DISTRICT

Authority, Purpose, and Functions

The District is a special district created by order of the Texas Water Rights Commission, predecessor to the TCEQ on May 22, 1973. The creation of the District was confirmed at an election held within the District on July 8, 1973. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to special districts, particularly Chapters 49 and 54, Texas Water Code, as amended, and Section 59 Article XVI, Texas Constitution. The principal functions of the District are to finance and construct certain water, sewer, and drainage facilities and to provide such facilities to the land within the District.

Description and Location

The District is located southeast of US Highway 90, approximately 18 miles east of the central business district of the City of Houston. The District is generally bounded by Highway 90 to the west, FM 1942 to the north and acreage to the south and west. The District is not within the exclusive extraterritorial jurisdiction of any city. The District presently includes approximately 1,195 acres. The District lies wholly within the Crosby Independent School District.

Land within the District is flat coastal plain, sloping gradually from northeast to southwest, with elevations ranging from 50 feet above mean sea level ("msl") to 35 feet msl. To qualify for participation in the National Flood Insurance Program of 1968, as amended by the Flood Disaster Protection Act of 1973, Harris County adopted regulations for Flood Plain Management on September 6, 1973. These regulations apply to development and construction in the 100-year flood plain. FEMA defines the 100-year flood plain as a special flood hazard area subject to inundation by the 1% annual chance flood. According to Flood Insurance Rate Map No. 48201CO730M, effective date January 6, 2017, the District is mapped partially within Zone X (areas of 0.2% annual chance flood) and Zone AE (special flood hazard area subject to inundation by the 1% annual chance flood). Residential construction is permitted in the 100-year flood plain in Harris County if the top of the slab of lowest habitable floor is elevated to 18 inches or more above the base flood elevation.

Summary of Land Use

A summary of the approximate land use in the District appears in the following table as of May 1, 2021:

<u>Type of Land Use</u>	<u>Approximate Acres</u>
Fully Developed Acres	938
Acres Currently Being Developed	0
Additional Developable Acreage	20
Other Undevelopable Acres	<u>237</u> (a)
Total Approximate Acres	1,195

(a) Includes undevelopable acres for Homeowner's Association recreation facilities, detention ponds, drainage ponds, drainage rights-of-way, flood plain, and road rights-of-way.

Status of Residential Development

Historically the residential home building development in the District has taken place in the subdivisions known as Barrett Station, Dreamland Place, St. Charles Place, Arcadian Garden, Sections 1 – 5 and Section 7. Most recently home building has taken place in the Kodiak Crossing Subdivision, Sections 1 – 4.

As of May 1, 2021, the District contained approximately 1,260 complete and occupied single family homes, approximately 27 homes under construction, and approximately 302 vacant developed lots. Additionally, the District provides service to 193 homes that are located outside of the boundaries of the District in Arcadian Gardens, Section 6.

Commercial Development in the District

Commercial development in the District includes: a car dealership, a Tractor Supply Store, two multi-family complexes (approximately 23 units), a funeral home, a crematorium, a cemetery, two gas stations, a small grocery store, two day care centers, a motel and an RV park. Additional building development in the District includes: an elementary school and seven churches.

The Developer in the District

The Developer of the Kodiak Crossing subdivision is Kodiak Crossing I, Ltd., a Texas Limited Partnership, acting by and through its General Partner, Kodiak Crossing LLC, a Texas Limited Liability Company. Mr. Earl W. Wilburn, Jr. is a manager of Kodiak Crossing LLC. Kodiak Crossing, Sections 1 – 4 currently includes approximately 66 acres that has been developed into 282 single family lots. As of May 1, 2021, there were 221 completed homes, 27 homes under construction, and 43 vacant developed lots.

Homes in Kodiak Crossing, Sections 1 – 4 are currently being constructed by K. Hovnanian Homes and Devon Street Homes. Newly constructed homes in Kodak Crossing are currently being marketed in the \$225,000 - \$315,000 price range.

Management of the District

The District is governed by the Board, which has control over and management supervision of all affairs of the District. All of the Directors own property (or are agents of an owner of property) and reside within the District. A directors' election is held within the District on the first Saturday in May in even numbered years. Directors are elected to serve four-year, staggered terms. The current members and officers of the Board are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Martin Lemond	President	2022
Andrew Sonnier	Vice President	2024
Alice Dangerfield	Secretary	2024
Daryl G. Johnson	Director	2022
Elyard David	Assistant Secretary	2022

Tax Assessor/Collector - The District's Tax Assessor/Collector is San Jacinto Tax Service Co., L.L.C., who is employed under a one-year contract and represents approximately 6 utility districts and school districts.

Bookkeeper - The District's Bookkeeper is ETI Bookkeeping Services which acts as bookkeeper for approximately 30 special districts.

Engineer - The consulting engineer for the District is Cobb Fendley & Associates, Inc. (the "Engineer").

Auditor - The District has engaged McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, as its independent auditor. A copy of the District's audit for the fiscal year ended May 31, 2020, is included in Appendix A hereto.

Financial Advisor - The GMS Group, L.L.C., serves as Financial Advisor to the District and is paid an hourly consulting fee for certain services rendered from time to time. The GMS Group, L.L.C., has served in the capacity as Financial Advisor relative to the issuance of the Bonds and will be paid a fee from Bond proceeds contingent upon the sale and delivery of the Bonds.

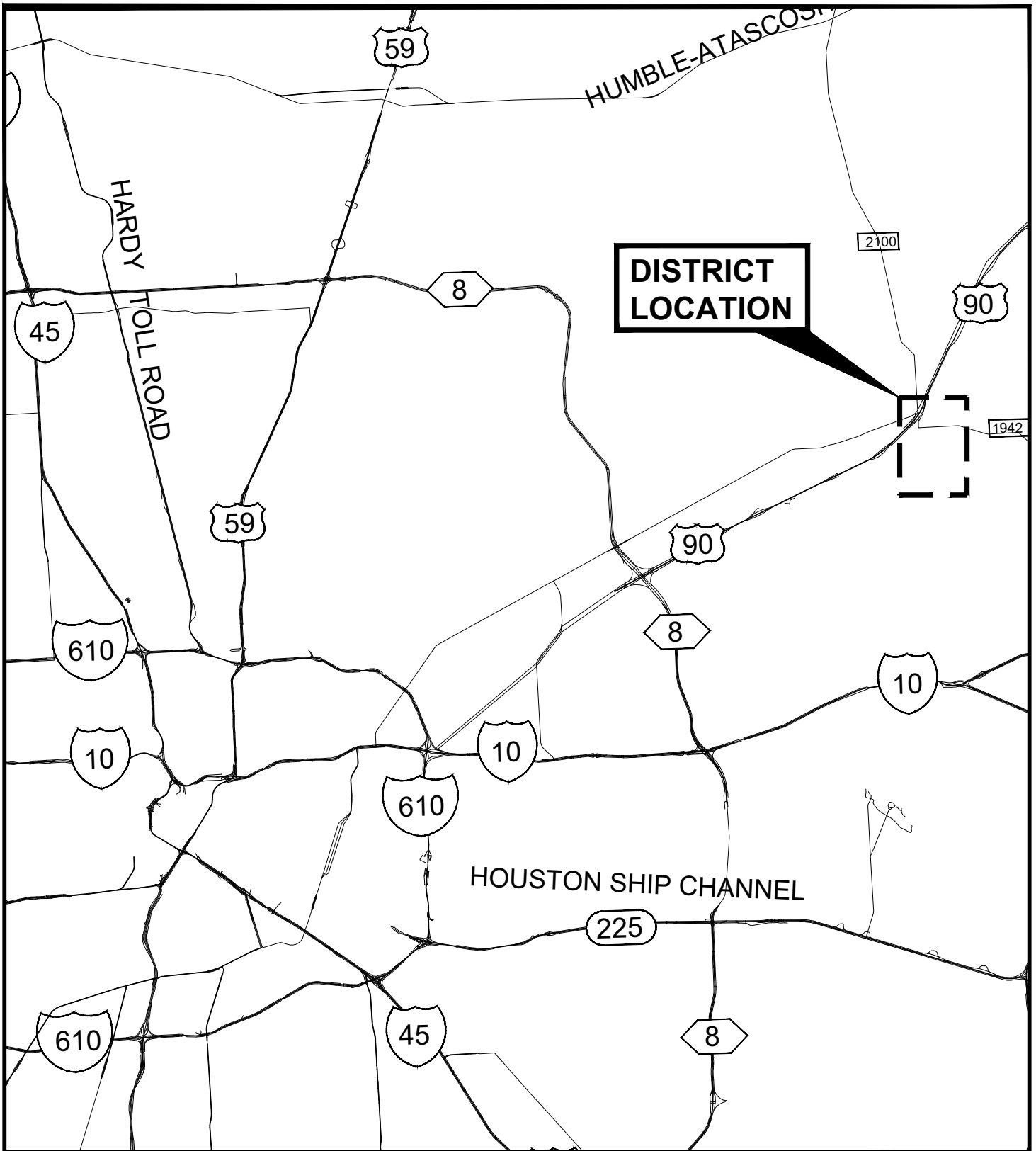
Bond Counsel - The District has employed Norton Rose Fulbright US LLP Houston, Texas, as bond counsel in connection with the issuance of the Bonds. The legal fee to be paid bond counsel for service rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent on the sale and delivery of the Bonds. Norton Rose Fulbright US LLP also represents the District as General Counsel and fees are not contingent on the sale and delivery of the Bonds.

Disclosure Counsel – Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, has been engaged by the District to serve as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District are invested in short-term obligations of the U.S. Treasury and federal agencies, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own or intend to purchase long-term securities or derivative products.

LOCATION MAP



HARRIS COUNTY MUD 50 VICINITY MAP

 **CobbFendley**
TBPE Firm Registration No. 274
TBPLS Firm Registration No. 100467
13430 Northwest Freeway, Suite 1100
Houston, Texas 77040
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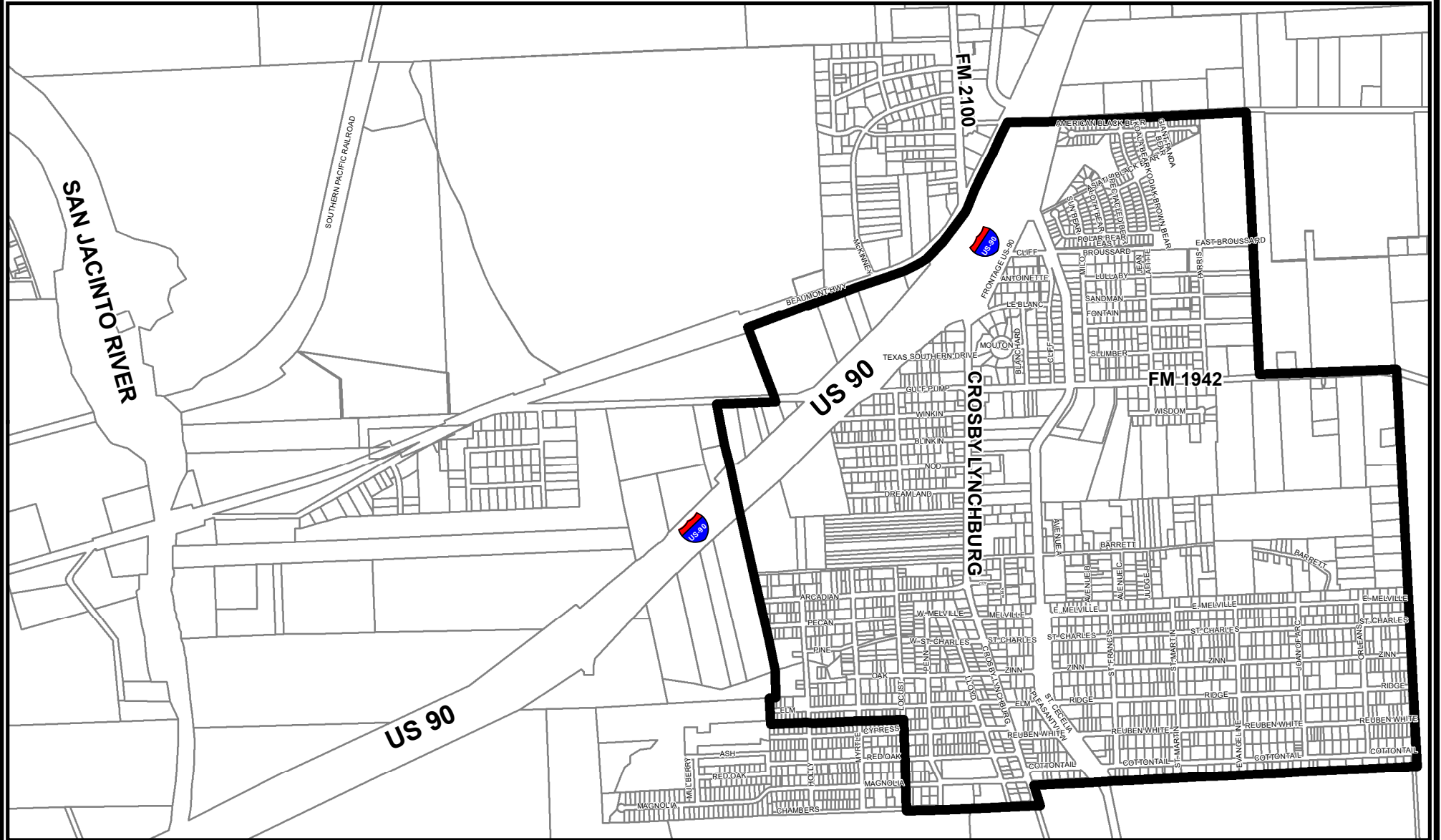


N.T.S.

HARRIS COUNTY MUD 50

BARRETT STATION, TEXAS

DISTRICT MAP



0 500 1,000 2,000 Feet

MUD 50 BOUNDARY MAP



AERIAL PHOTOGRAPH

HARRIS COUNTY
MUNICIPAL UTILITY
DISTRICT No. 50

U.S. HWY 90

F.M. 2100



THE SYSTEM

Regulation

The District's water, wastewater, and storm drainage facilities (the "System") have been designed in accordance with accepted engineering practices and the recommendations of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the Texas Department of Health, Harris County, Harris County Flood Control District and the Subsidence District. According to the Engineer, the designs of all such facilities have been approved by all required governmental agencies and by the TCEQ. Operation of the District's waterworks and wastewater facilities is subject to regulation by, among others, the EPA, the TCEQ, the Texas Department of Health and the Subsidence District. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Construction and operation of the System as it now exists or as it may be expanded from time to time is subject to the regulatory jurisdiction of various federal, state, and local authorities. The TCEQ exercises continuing supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to regulatory authority of the TCEQ and the United States EPA. Provision of potable water in the District is subject to regulatory authority of the TCEQ and the EPA. Construction of drainage facilities is subject to the regulatory authority of the Harris County Engineer's Office.

Description of the System

The water, wastewater and storm drainage facilities of the District and the accompanying rights of use therein are described below based upon information obtained from the District's records.

- Water and Sanitary Sewer Lines -

Water and sanitary sewer facilities have been constructed to serve approximately 927 acres in the District. Waterline sizes range from 2-inch to 12-inch with a total length of 22 miles. Sanitary sewer lines range in diameter from 4-inch to 15-inch with a total length of 20 miles. Sanitary sewer lines consist of gravity sewer and forcemains.

- Wastewater Treatment -

The District owns and operates two permanent wastewater treatment plants that are capable of serving 2,133 equivalent single family connections ("ESFCs"). The District has wastewater treatment plant capacity that is adequate to serve the build-out of the District given currently anticipated land uses.

The sanitary sewer system includes 7 lift stations that facilitate movement of the wastewater through the District into the wastewater plants, and discharge of the treated wastewater. Each lift station contains at least two submersible pumps ranging in capacity from 500 gallons per minute ("gpm") to 850 gpm.

- Water Supply -

The District's water supply facilities consist of 3 water plants with 3 water wells with combined capacity of 1,070 gpm. Based upon the TCEQ's approved capacity of 0.41 gpm per ESFCs, the District's water supply facilities are capable of serving approximately 2,500 ESFCs. The District has one 250,000 gallon elevated storage tank and three ground storage tanks. Such capacity is capable of serving the build-out of the District given currently anticipated land uses.

In 2007, the District entered into a water supply contract with the San Jacinto River Authority (SJRA) to purchase raw untreated water. The contract was amended in 2015. The District plans to use up to 500,000 gpd of untreated water to supply a future surface water plant. Currently, the District is not receiving the untreated surface water. Effective January 1, 2007, the SJRA assesses untreated surface water fees of \$22.86 per 1,000 gallons. The District pays 50% of the water rate until such time as the water is physically delivered. The SJRA fees and charges for surface water delivered to the District will increase over time but the District is unable to predict the magnitude of such increases.

- Harris-Galveston Coastal Subsidence District -

The District is located within the boundaries of the Subsidence District which was created by the Texas Legislature to conserve, protect and enhance the groundwater resources of Harris and Galveston counties. The Subsidence District has adopted rules and a regulatory plan for the conservation, preservation, protection, recharge and prevention of waste of groundwater, groundwater reservoirs or their subdivisions and to control subsidence caused by the withdrawal of groundwater from those groundwater resources or their subdivisions.

The Subsidence District requires persons and entities, including the District, that pump groundwater from wells to apply for and obtain permits for the withdrawal of groundwater under terms and conditions provided in the Subsidence District's rules. The Subsidence District has adopted its District Regulatory Plan which calls for the reduction of groundwater withdrawal throughout Harris County to volumes that do not exceed the recharge capabilities of aquifers in the County to prevent the long term depletion of the aquifers.

Large water users, including the District, were required to prepare and submit a Groundwater Reduction Plan (“GRP”) that identified methods and plans for reduction of groundwater usage through the development of alternate water resources, including the design and construction of infrastructure facilities to purchase and transport surface water to affected areas within the County. The initial requirement and deadline for reduction of groundwater use by the District by 20% was January 1, 2016. More recently, the District was granted a second waiver from the conversion to surface water for 5 years by the Subsidence District on November 13, 2019. The District does not know the cost of facilities that will be needed to effect the necessary reduction in groundwater use.

After the expiration of the District’s Conservation Plan, the District will be potentially 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 30% of the total annual water demand. Groundwater pumped from wells located within the District is not currently subject to the Disincentive Fee. As noted above, in the past, the District has received waivers from the Subsidence District for the conversion to surface water. If the District did not receive the necessary waivers and if the District failed to comply with surface water conversion requirements mandated by the Subsidence District, the Subsidence District could seek monetary or other penalties against the District. The amount of the Disincentive Fees imposed by the Subsidence District are subject to increases in the future.

- Drainage/Detention System -

The drainage systems that serve the District is a combination of open ditches and underground storm drainage systems connecting to Harris County Flood Control District channels that lead to the San Jacinto River. The District owns and maintains a detention pond serving the Kodiak Crossing subdivision in the District, which drains into Harris County Flood Control District Ditch No. G103-09-01 then to the San Jacinto River Tidal in Segment No. 1001 of the San Jacinto River Basin. Private entities, homeowners associations, or Harris County maintain all remaining drainage systems. Ultimately all of the drainage from the District flows into the San Jacinto River.

Approximately 23 acres in the District lie within the 100-year flood plain according to FEMA’s 2018 Flood Plain Map Panels 48201CO540L, 48201CO545L, 48201CO730M, and 48201CO735M. The land within the District that lies within the 100-year flood plain is currently used for drainage, parks, and undeveloped land.

None of the improvements being funded with proceeds of the Bonds currently lie within the 100-year flood plain.

General Fund Operating History

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District; water and sewer revenues are not pledged to payment of the Bonds. The information included in the table below relating to the District's System operations is provided for information purposes only.

	Fiscal Year Ended May 31 (a)				
	2020	2019	2018	2017	2016
REVENUES					
Property Taxes	\$370,249	\$368,695	\$338,251	\$319,349	\$338,398
Water Service	\$606,975	\$449,843	\$499,066	\$444,437	\$399,626
Wastewater Service	\$827,596	\$711,135	\$670,612	\$652,939	\$595,851
Penalty and Interest	\$24,037	\$36,559	\$26,370	\$40,385	\$40,644
Tap Connection and Inspection Fees	\$159,958	\$139,441	\$76,040	\$207,805	\$87,775
Investment Revenues	\$273	\$214	\$181	\$189	\$216
Miscellaneous Revenues	<u>\$119,750</u>	<u>\$107,666</u>	<u>\$51,556</u>	<u>\$46,314</u>	<u>\$53,526</u>
TOTAL REVENUES	\$2,108,838	\$1,813,553	\$1,662,076	\$1,711,418	\$1,516,036
EXPENDITURES					
Professional Fees	\$142,873	\$125,512	\$245,638	\$259,498	\$199,877
Contracted Services	\$287,871	\$284,345	\$330,257	\$348,116	\$336,496
Utilities	\$97,717	\$90,993	\$93,917	\$62,082	\$88,162
SJRA Assessment	\$26,794	\$40,851	\$37,628	\$36,290	\$34,615
Repairs and Maintenance	\$385,474	\$285,752	\$495,227	\$375,030	\$356,306
Other	\$352,905	\$370,811	\$398,617	\$433,038	\$280,887
Personnel	\$230,334	\$203,678	\$213,468	\$233,703	\$91,009
Note Principal	\$279,091	\$198,013	\$274,127	-	-
Note Interest	\$2,536	\$5,689	\$7,500	-	-
Capital Outlay	<u>-</u>	<u>\$31,976</u>	<u>\$245,638</u>	<u>\$698,307</u>	<u>\$509,495</u>
TOTAL EXPENDITURES (b)	\$1,805,595	\$1,637,620	\$2,152,209	\$2,446,064	\$1,896,847
REVENUES OVER/UNDER EXPENDITURES	<u>\$303,243</u>	<u>\$175,933</u>	<u>(\$490,133)</u>	<u>(\$734,646)</u>	<u>(\$380,811)</u>

(a) Data for fiscal years 2016 – 2020 is taken from District's prior years audited financial statements. See "APPENDIX A."

(b) As of May 27, 2021, the District's General Fund had a cash and investment balance of approximately \$4,038,104. For the fiscal year ending June 30, 2021, the District is currently projecting General Fund revenues of approximately \$2,080,000 and operating expenditures of approximately \$1,620,000. For the fiscal year ending June 30, 2022 the District is currently budgeting General Fund revenues of \$2,088,345 and General Fund expenditures of \$1,596,280.

DISTRICT DEBT
(Unaudited)

1/1/2021 Estimated Taxable Value	\$164,924,394	(a)
2020 Taxable Value	\$154,666,177	(b)
Direct Debt		
Outstanding Bonds (as of June 1, 2021)	\$9,960,000	
Plus the Series 2020 Bonds	<u>\$6,200,000</u>	
Total Direct Debt	\$16,160,000	
Estimated Overlapping Debt	<u>\$10,203,356</u>	
Direct and Estimated Overlapping Debt	\$26,363,356	
Percentage of Direct Debt to:		
1/1/2021 Estimated Taxable Value	9.80%	
2020 Taxable Value	10.45%	
Percentage of Direct and Overlapping Debt to:		
1/1/2021 Estimated Taxable Value	15.99%	
2020 Taxable Value	17.05%	
2020 Tax Rate Per \$100 of Assessed Value:		
Debt Service	\$0.70	
Maintenance Tax	<u>\$0.29</u>	
Total 2020 Tax Rate	\$0.99	
Approximate General Fund Cash Balance (5-27-2021)	\$4,038,704	
Approximate Debt Service Fund Cash Balance (5-27-2021)	\$1,448,676	(c)

-
- (a) The Estimated Taxable Value as of 1/1/2021 was prepared by HCAD and provided to the District. Such values are not binding on HCAD, and the new values (subsequent to January 1, 2020) will not be included on the District's tax roll until the 2021 tax roll is prepared and certified by HCAD during the second half of 2021. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the 2020 Certified Taxable Value according to data supplied to the District by HCAD. See "TAX DATA – Analysis of Tax Base."
- (c) Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Debt Service Fund. See "TAX DATA – Tax Adequacy for Debt Service."

Estimated Overlapping Debt

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purpose in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

<u>Taxing Jurisdiction</u>	<u>Approximate Outstanding Bonds</u>	<u>Overlapping Debt</u>	
		<u>Percent</u>	<u>Amount</u>
Crosby Independent School District	\$141,470,000	6.70%	\$9,484,585
Harris County (a)	\$1,293,922,125	0.03%	\$395,963
Harris County Flood Control District	\$334,270,000	0.03%	\$104,328
Port of Houston Authority	\$572,569,397	0.03%	\$186,928
Harris County Hospital District	\$81,540,000	0.03%	\$25,434
Harris County Department of Education	\$20,185,000	0.03%	\$6,118
Total Estimated Overlapping Debt			\$10,203,356
The District's Direct Debt (b)			<u>\$16,160,000</u>
Total Direct and Estimated Overlapping Debt			\$26,363,356

(a) Excludes Harris County Toll Road Tax and Revenue Bonds that have been paid from toll revenues.

(b) Includes the Bonds.

TAX DATA

Tax Collections

The following table sets forth the historical tax collection experience of the District for the tax years 2016 through 2020. Such table has been prepared based upon information from District records. Reference is made to such records and statements for further and complete information. According to the District's records during the last 5 years current tax collections have averaged approximately 89%.

<u>Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Cumulative Collections</u>	<u>Cumulative Collections %</u>	<u>Year End 9/30</u>
2020	\$154,666,177	\$0.99	\$1,531,195	\$1,333,026	87%	2021
2019	\$124,916,641	\$1.09	\$1,361,591	\$1,256,922	92%	2020
2018	\$95,417,229	\$1.09	\$1,040,048	\$987,239	95%	2019
2017	\$81,835,206	\$1.09	\$892,004	\$850,958	95%	2018
2016	\$68,089,045	\$1.09	\$742,171	\$710,664	96%	2017

(a) The 2020 tax levy is currently in the process of collections. Such taxes were due on or before January 31, 2021; as of June 1, 2021, the 2020 tax levy was 87% collected.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2016 through and including 2020.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Debt Service	\$0.70	\$0.77	\$0.72	\$0.71	\$0.68
Maintenance/Operation	\$0.29	\$0.32	\$0.37	\$0.38	\$0.41
Total	\$0.99	\$1.09	\$1.09	\$1.09	\$1.09

Maintenance Tax

The District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements; such maintenance tax was authorized by vote of the District's electors on November 6, 2007. The District is authorized to levy such a maintenance tax in an unlimited amount per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds, and any tax bonds which may be issued in the future. The District levied a 2020 maintenance tax of \$0.29 per \$100 assessed valuation.

Analysis of Tax Base

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the tax roll valuations for 2016 through 2020.

<u>Year</u>	<u>Type of Property</u>			<u>Gross Valuation</u>	<u>Exemptions</u>	<u>Taxable Valuation (a)</u>
	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>			
2020	\$71,190,932	\$91,814,137	\$10,674,669	\$173,679,738	\$19,013,561	\$154,666,177
2019	\$46,844,020	\$82,732,400	\$9,635,424	\$139,211,844	\$14,295,203	\$124,916,641
2018	\$27,074,982	\$70,492,749	\$8,987,147	\$106,554,878	\$11,137,649	\$95,417,229
2017	\$23,379,480	\$59,942,070	\$8,225,703	\$91,547,253	\$9,712,047	\$81,835,206
2016	\$20,871,512	\$51,374,015	\$5,594,799	\$77,840,326	\$9,751,281	\$68,089,045

(a) Reflects the Gross Valuations data supplied by HCAD less exemptions.

Estimated Overlapping Taxes

The following table sets forth all 2020 taxes levied by overlapping taxing jurisdictions on property within the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

<u>Taxing Jurisdictions</u>	<u>2020 Tax Rate per \$100 Assessed Valuation</u>
Crosby Independent School District	\$1.478300
Harris County (a)	\$0.604193
Harris County Emergency Service District No. 80	\$0.050000
Harris County Emergency Service District No. 5	<u>\$0.017660</u>
Subtotal	\$2.150153
The District	<u>\$0.990000</u>
Overlapping Taxes	\$3.140153

(a) Includes taxes levied by Harris County, Port of Houston Authority, Harris County Flood Control District, Harris County Hospital District, and Harris County Department of Education.

Principal Taxpayers

The following table sets forth the District's principal taxpayers and was provided by the District's Tax Assessor/Collector based upon the 2020 certified tax roll (which reflects ownership of property as of January 1, 2020) according to HCAD.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2020 Taxable Value</u>	<u>% of Total</u>
Turner Chevrolet	Personal Property	\$5,442,999	3.52%
Nederland Land Company LP	Land & Improvements	\$3,466,652	2.24%
Tractor Supply Co of Texas LP	Land & Improvements	\$1,880,987	1.22%
Croslyn Enterprises Inc.	Land, Improvements, & Personal Property	\$1,387,785	0.90%
Tierra Creek LLC	Land & Improvements	\$1,301,846	0.84%
Kate Davis Holdings LLC	Land & Improvements	\$1,273,167	0.82%
Centerpoint Energy Hou El	Personal Property	\$1,075,240	0.70%
Comcast of Houston LLC	Personal Property	\$982,550	0.64%
Crosby Venures LLC	Land & Improvements	\$979,129	0.63%
Walker Funeral Homes Inc	Land & Improvements	\$913,895	0.59%
		\$18,704,250	12.09%

Tax Adequacy for Debt Service

The calculations shown below are solely for the purpose of illustration and assume no increase in assessed valuation over the 2020 Taxable Value as provided by HCAD, and use a tax rate adequate to service the District's total debt service requirements following issuance of the Bonds. Surplus balances in the debt service fund, the capital projects fund, and the general fund are not reflected in these computations.

Maximum Annual Debt Service Requirements (2028).....	\$1,011,551
\$0.65 Tax Rate on the 1/1/2021 Estimated Taxable Value of \$164,924,394 @ 95% collections produces.....	\$1,018,408
\$0.69 Tax Rate on the 2020 Taxable Value of \$154,666,177 @ 95% collections produces.....	\$1,013,837

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal and interest on the Bonds and any additional bonds payable from taxes that the District has previously or may hereafter issue and to pay the expenses of assessing and collecting such taxes. See "RISK FACTORS - Future Debt." The District agrees in the Bond Order to levy such a tax from year to year as described more fully in this Official Statement under the caption "THE BONDS - Sources of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by the voters. See "TAX DATA - Maintenance Tax."

Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Tax Code are complex and are not fully summarized here. The Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Harris County Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units 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"). The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real and tangible personal property in the District is subject to taxation by the District. However, the District makes no effort to collect taxes on personal property, other than on personal property rendered for taxation, business inventories, and the property of privately-owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the

producer; all oil, gas, and mineral interests owned by an institution of higher education; certain property owned and used for qualified purposes by certain charitable religious, education and other organizations, designated historical sites; solar and wind-powered energy devices; and most individually-owned automobiles.

Senior Citizen/Disabled Exemptions: 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 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. The District has not granted a senior citizen/disabled exemption.

Veterans Exemptions: 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 \$5,000 to \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, and subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces or a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to a total tax exemption on such surviving spouse's residence homestead. If the surviving spouse changes homesteads, but does not remarry, then the amount of the exemption as of the last year of the first qualifying residential homestead is applicable to the subsequent homesteads.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. The District has not granted a homestead exemption.

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

Tax Abatement

Either Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City of Houston, Harris County, or the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business are 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 the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special value as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land and timberland.

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

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

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 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 (i) a person 65 years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act or (iii) qualifies as a disabled veteran under Texas law is 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.

Notice and Hearing Procedures

The Property Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers if the District proposes to increase taxes, and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals which 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, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

Developed Districts. Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, 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 the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local 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; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property and land designated for agricultural use and six months for all other property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six months for commercial property, within two years for residence homesteads and land designated for agricultural use, and six months for all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. See "RISK FACTORS - Tax Collections."

Delinquent Tax Payments for Disaster Areas

Taxpayers for homesteads and small businesses damaged as a direct result of a disaster may pay property taxes or the property in four equal quarterly installments by notice of the District before the delinquency date without penalty or interest. Installments must be completed within six months of the delinquency date, which normally is February 1, but could be delayed because of delayed valuations. Quarterly payments by a substantial number of owners could adversely affect a district's collection of taxes for debt services in the year following a disaster.

The Effect of FIRREA on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

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 authorities, 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 authorities, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any un-matured 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.

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be subject to and accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the tax revenue, based upon his examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, subject to the matters described in "TAX MATTERS" below, interest on the Bonds is excludable from gross income of the holders for federal tax purposes under existing law, and interest on the Bonds will not be subject to the federal alternative minimum tax on the owners thereof.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS," "THE DISTRICT – Authority, Purpose, and Functions," "TAXING PROCEDURES," "LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "LEGAL MATTERS" (as it describes the opinion of Bond Counsel), "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12" (except for – "Compliance with Prior Undertakings") solely to determine whether such information in all material respects fairly and accurately summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District or any developer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon the limited participation of Bond Counsel as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, except as stated above.

The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

The District will furnish the Underwriters a certificate dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to the knowledge of the officers executing the certificate, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or non-encumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to an opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that, pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds (the "Code") and existing regulations, published rulings, and court decisions thereunder, interest on the Bonds for federal income tax purposes will: (1) be excludable from the gross income, as defined in Section 61 of the Code, of the owners thereof, and (2) not be included in computing the alternative minimum taxable income of the owners thereof. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

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

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest

in a financial asset securitization investment trust ("FASIT"), S corporations with "subchapter C" earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the "Discount Bonds") is less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial offering price of certain Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. 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, although no federal income tax deduction is allowed as a result of such reduction in basis for 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 Premium Bonds should consult with their own tax advisors to determine the amortizable bond premium on the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction

for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

The District designated the Bonds as "qualified tax-exempt obligations" and certifies its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code. However, 20% of the interest expense incurred by a financial institution which is allocable to the interest on the Bonds will not be deductible pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

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

Annual Reports

The District shall provide annually to the Municipal Securities Rulemaking Board (the "MSRB") via the Electronic Municipal Market Access ("EMMA"), within six months after the end of each fiscal year of the District ending in or after 2021, financial information and operating data with respect to the District of the general type included in "DISTRICT DEBT" (excluding "Estimated Overlapping Debt"), "TAX DATA," and "APPENDIX A" of this Official Statement. If audited financial statements for the District are not available within such period, then the District shall provide its audited financial statements for the applicable fiscal year to the MSRB via EMMA when such audited financial statements become available.

The District's current fiscal year end is May 31. Accordingly, the District must provide updated information by November 30. If the District changes its fiscal year, the District will notify the MSRB via EMMA of the change (and of the date of the new fiscal year end) prior to the next date by which the District otherwise would be required to provide financial information and operating data pursuant to the Bond Order.

Specified Event Notices

The District shall notify the MSRB via EMMA, in a timely manner not in excess of 10 business days, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;

- (12) Bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below;
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of 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 obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the obligated person, any of which reflect financial difficulties.

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 Orders make any provisions for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax revenues) to secure payment of the Bonds, or appointment of a trustee. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the District in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, and (b) the District intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

The District shall notify the MSRB via EMMA, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Bond Orders.

Limitations and Amendments

The District is obligated to observe and perform the covenants specified in the Bond Order for so long as, but only for so long as, the District remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the District in any event will give the notice of any Bond calls and defeasance that cause the District to be no longer such an “obligated person.”

The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to the Bond Order and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the District’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with the Bond Order or otherwise, except as expressly provided therein. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE DISTRICT BE LIABLE TO THE HOLDER OR REGISTERED OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE DISTRICT, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THE BOND ORDER, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the District in observing or performing its obligations under the Bond Order shall constitute a breach of or default for purposes of any other provision of the Bond Order.

Nothing in the Bond Order is intended or shall act to disclaim, waive, or otherwise limit the duties of the District under federal and state securities laws.

The provisions of the Bond Order may be amended by the District 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 or businesses of the District, but only if (1) the provisions of the Bond Order, as so amended, would have permitted an underwriter to purchase or sell Bonds in a primary offering of the Bonds in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated

with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and Registered Owners of the Bonds. If the District so amends the provisions of the Bond Order, the District shall include with any amended financial information or operating data next provided in an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The District may also repeal or amend the provisions of the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the District also may amend the provisions of the Bond Order in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in a primary offering of the Bonds.

Compliance with Prior Undertakings

The District failed to timely make its annual continuing disclosure filing for Fiscal Years Ended in 2018 and 2019. The District subsequently filed the missing information, including the notices of late filing, and has enacted procedures to ensure such oversights do not occur in the future with respect to any of the District's annual filing obligations. Otherwise, during the last five years, the District has complied in all material respects with its previous continuing disclosure agreements in accordance with SEC Rule 15c2-12.

OFFICIAL STATEMENT

Sources of Information

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

All estimates, statements, and assumptions in this Official Statement have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

Financial Advisor

The Official Statement was compiled and edited under the supervision of The GMS Group, L.L.C., (the "Financial Advisor"). The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage paid of the Bonds actually issued, sold and delivered, and therefore, such fees are contingent on the sale and delivery of the Bonds.

Consultants

In approving this Official Statement, the District has relied upon the following:

Engineer: The information contained in this Official Statement relating to engineering matters generally, to the description of the System, and, in particular, that information included in the sections entitled "RISK FACTORS -- Future Debt," "USE OF BOND PROCEEDS," "THE DISTRICT -- Description and Location" has been provided by Cobb Finley and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector: The information contained in this Official Statement relating to the assessed valuation of property and, in particular, such information contained in the section captioned "TAX DATA," has been provided by the Harris County Appraisal District and by San Jacinto Tax Service Co., L.L.C., Tax Assessor/Collector, in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor - The District has engaged McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, as its independent auditor. A copy of the District's audit for the fiscal year ended May 31, 2020, is included in Appendix A hereto.

Updating of Official Statement

For the period beginning on the date of the award of the sale of the Bonds to the Underwriter and ending on the 91st day after the "end of the underwriting period" (as defined in SEC Rule 15c2-12(e)(2)), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement the Official Statement in order to make the statements therein, in light of the circumstances when the Official Statement is delivered to a prospective purchaser, not misleading, the District will promptly notify the Underwriter of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements thereto, so that the statements in the Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when such Official Statement is delivered to a prospective purchaser, be misleading.

Certification of Official Statement

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 50 as of the date shown on the cover page.

APPENDIX A

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT No. 50

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED MAY 31, 2020

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2020

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 50
Harris County, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 50 (the "District"), as of and for the year ended May 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purpose of additional analysis as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information, excluding that portion marked “Unaudited” on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2020, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 22, 2020

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2020**

Management’s discussion and analysis of Harris County Municipal Utility District No. 50’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended May 31, 2020. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2020**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$7,047,790 as of May 31, 2020. A portion of the District's net position reflects its net investment in capital assets (land as well as water and wastewater facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2020</u>	<u>2019</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 7,302,134	\$ 9,533,540	\$ (2,231,406)
Capital Assets (Net of Accumulated Depreciation)	<u>11,505,032</u>	<u>9,603,194</u>	<u>1,901,838</u>
Total Assets	<u>\$ 18,807,166</u>	<u>\$ 19,136,734</u>	<u>\$ (329,568)</u>
Due to Developer	\$ 237,471	\$ 2,001,513	\$ 1,764,042
Notes Payable	550,897	829,988	279,091
Bonds Payable	10,435,000	8,670,000	(1,765,000)
Other Liabilities	<u>536,008</u>	<u>850,677</u>	<u>314,669</u>
Total Liabilities	<u>\$ 11,759,376</u>	<u>\$ 12,352,178</u>	<u>\$ 592,802</u>
Net Position:			
Net Investment in Capital Assets	\$ 3,904,679	\$ 4,775,169	\$ (870,490)
Restricted	1,865,539	1,456,743	408,796
Unrestricted	<u>1,277,572</u>	<u>552,644</u>	<u>724,928</u>
Total Net Position	<u>\$ 7,047,790</u>	<u>\$ 6,784,556</u>	<u>\$ 263,234</u>

The following table provides a summary of the District's operations for the years ending May 31, 2020, and May 31, 2019.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2020</u>	<u>2019</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 1,330,420	\$ 1,061,167	\$ 269,253
Charges for Services	1,729,898	1,443,397	286,501
Other Revenues	<u>226,600</u>	<u>235,469</u>	<u>(8,869)</u>
Total Revenues	<u>\$ 3,286,918</u>	<u>\$ 2,740,033</u>	<u>\$ 546,885</u>
Expenses for Services	<u>3,023,684</u>	<u>2,179,691</u>	<u>(843,993)</u>
Change in Net Position	\$ 263,234	\$ 560,342	\$ (297,108)
Net Position, Beginning of Year	<u>6,784,556</u>	<u>6,224,214</u>	<u>560,342</u>
Net Position, End of Year	<u>\$ 7,047,790</u>	<u>\$ 6,784,556</u>	<u>\$ 263,234</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

The District’s combined fund balances as of May 31, 2020, were \$5,712,859, a decrease of \$2,058,926 from the prior year.

The General Fund fund balance increased by \$425,052, primarily due to service and tax revenues exceeding operating costs.

The Debt Service Fund fund balance increased by \$289,666, primarily due to the structure of the District’s outstanding debt service requirements.

The Capital Projects Fund fund balance decreased by \$2,773,644, primarily due to capital costs from proceeds of the Series 2018 bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$525,867 more than budgeted revenues primarily due to actual revenues being higher than anticipated across most categories. Actual expenditures were \$281,693 more than budgeted expenditures primarily due to higher than anticipated personnel costs offset by lower than anticipated professional fees, repairs and maintenance costs and miscellaneous costs. Additionally, note principal and interest payments were not adequately budgeted for.

LONG-TERM DEBT ACTIVITY

As of May 31, 2020, the District had total bond debt payable of \$10,435,000. The changes in the debt position of the District during the fiscal year ended May 31, 2020, are summarized as follows:

Bond Debt Payable, June 1, 2019	\$ 8,670,000
Add: Bond Sale - Series 2020	2,200,000
Less: Bond Principal Paid	<u>435,000</u>
Bond Debt Payable, May 31, 2020	<u>\$ 10,435,000</u>

The District’s bonds do not carry an underlying rating. The Series 2020 bonds carry an insured rating of “AA” from Standard and Poor’s by virtue of bond insurance by Build America Mutual Assurance Company.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2020**

CAPITAL ASSETS

Capital assets as of May 31, 2020, total \$11,505,032 (net of accumulated depreciation) and include land and the water and wastewater systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 113,294	\$ 111,740	\$ 1,554
Construction in Progress	1,799,776	2,294,357	(494,581)
Capital Assets, Net of Accumulated Depreciation:			
Equipment	23,215	29,628	(6,413)
Water System	2,274,834	2,415,083	(140,249)
Wastewater System	7,293,913	4,752,386	2,541,527
Total Net Capital Assets	\$ 11,505,032	\$ 9,603,194	\$ 1,901,838

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 50, c/o Norton Rose Fulbright US LLP, 1301 McKinney, Suite 5100, Houston, Texas 77010-3095.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2020

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 1,583,147	\$ 1,163,705
Investments		
Receivables:		
Property Taxes	310,208	378,706
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Uncollectible Accounts of \$143,963)	140,059	
Other	2,419	
Due from Other Funds	56,494	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 2,092,327	\$ 1,542,411

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 424,854	\$ 3,171,706	\$	\$ 3,171,706
2,888,726	2,888,726		2,888,726
	688,914		688,914
		410,310	410,310
	140,059		140,059
	2,419		2,419
	56,494	(56,494)	
		113,294	113,294
		1,799,776	1,799,776
		9,591,962	9,591,962
<u>\$ 3,313,580</u>	<u>\$ 6,948,318</u>	<u>\$ 11,858,848</u>	<u>\$ 18,807,166</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2020

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 82,417	\$
Accrued Interest Payable		
Due to Developers	3,787	
Due to Other Funds		32,886
Security Deposits	177,654	
Accrued Interest at Time of Sale		4,552
Long-Term Liabilities:		
Notes Payable, Due Within One Year		
Notes Payable, Due After One Year		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 263,858	\$ 37,438
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 310,208	\$ 378,706
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		1,126,267
Unassigned	1,518,261	
TOTAL FUND BALANCES	\$ 1,518,261	\$ 1,126,267
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,092,327	\$ 1,542,411
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 221,641	\$ 304,058	\$	\$ 304,058
		54,296	54,296
	3,787	233,684	237,471
23,608	56,494	(56,494)	
	177,654		177,654
	4,552	(4,552)	
		109,936	109,936
		440,961	440,961
		475,000	475,000
		9,960,000	9,960,000
<u>\$ 245,249</u>	<u>\$ 546,545</u>	<u>\$ 11,212,831</u>	<u>\$ 11,759,376</u>
<u>\$ -0-</u>	<u>\$ 688,914</u>	<u>\$ (688,914)</u>	<u>\$ -0-</u>
\$ 3,068,331	\$ 3,068,331	\$ (3,068,331)	\$
	1,126,267	(1,126,267)	
	1,518,261	(1,518,261)	
<u>\$ 3,068,331</u>	<u>\$ 5,712,859</u>	<u>\$ (5,712,859)</u>	<u>\$ - 0 -</u>
<u>\$ 3,313,580</u>	<u>\$ 6,948,318</u>		
		\$ 3,904,679	\$ 3,904,679
		1,865,539	1,865,539
		1,277,572	1,277,572
		<u>\$ 7,047,790</u>	<u>\$ 7,047,790</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MAY 31, 2020

Total Fund Balances - Governmental Funds	\$	5,712,859
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		11,505,032
<p>Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District.</p>		1,099,224
<p>Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:</p>		
Due to Developer	\$ (233,684)	
Accrued Interest Payable	(49,744)	
Notes Payable	(550,897)	
Bonds Payable	<u>(10,435,000)</u>	<u>(11,269,325)</u>
Total Net Position - Governmental Activities	\$	<u>7,047,790</u>

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2020

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 370,249	\$ 854,986
Water Service	606,975	
Wastewater Service	827,596	
Penalty and Interest	24,037	73,219
Tap Connection and Inspection Fees	159,958	
Investment Revenues	273	1,525
Miscellaneous Revenues	119,750	42,813
	<u>\$ 2,108,838</u>	<u>\$ 972,543</u>
TOTAL REVENUES		
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 142,873	\$ 26,955
Contracted Services	287,871	28,284
Utilities	97,717	
SJRA Assessment	26,794	
Repairs and Maintenance	385,474	
Depreciation		
Other	352,905	7,196
Personnel	230,334	
Capital Outlay		
Debt Service:		
Note Principal	279,091	
Note Interest	2,536	
Bond Issuance Costs		
Bond Principal		435,000
Bond Interest		185,442
	<u>\$ 1,805,595</u>	<u>\$ 682,877</u>
TOTAL EXPENDITURES/EXPENSES		
EXCESS (DEFICIENCY) OF REVENUES OVER		
EXPENDITURES/EXPENSES	<u>\$ 303,243</u>	<u>\$ 289,666</u>
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	\$ 121,809	\$
Long-Term Debt Issued		
	<u>\$ 121,809</u>	<u>\$ -0-</u>
TOTAL OTHER FINANCING SOURCES (USES)		
NET CHANGE IN FUND BALANCES	\$ 425,052	\$ 289,666
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
JUNE 1, 2019	<u>1,093,209</u>	<u>836,601</u>
FUND BALANCES/NET POSITION -		
MAY 31, 2020	<u><u>\$ 1,518,261</u></u>	<u><u>\$ 1,126,267</u></u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,225,235	\$ 105,185	\$ 1,330,420
	606,975		606,975
	827,596		827,596
	97,256	38,113	135,369
	159,958		159,958
62,239	64,037		64,037
	162,563		162,563
<u>\$ 62,239</u>	<u>\$ 3,143,620</u>	<u>\$ 143,298</u>	<u>\$ 3,286,918</u>
\$	\$ 169,828	\$	\$ 169,828
	316,155		316,155
	97,717		97,717
	26,794		26,794
	385,474	592,282	977,756
		410,570	410,570
216	360,317	24,086	384,403
	230,334		230,334
4,695,092	4,695,092	(4,695,092)	
	279,091	(279,091)	
	2,536		2,536
218,766	218,766		218,766
	435,000	(435,000)	
	185,442	3,383	188,825
<u>\$ 4,914,074</u>	<u>\$ 7,402,546</u>	<u>\$ (4,378,862)</u>	<u>\$ 3,023,684</u>
<u>\$ (4,851,835)</u>	<u>\$ (4,258,926)</u>	<u>\$ 4,522,160</u>	<u>\$ 263,234</u>
\$ (121,809)	\$	\$	\$
<u>2,200,000</u>	<u>2,200,000</u>	<u>(2,200,000)</u>	
<u>\$ 2,078,191</u>	<u>\$ 2,200,000</u>	<u>\$ (2,200,000)</u>	<u>\$ -0-</u>
\$ (2,773,644)	\$ (2,058,926)	\$ 2,058,926	\$
		263,234	263,234
<u>5,841,975</u>	<u>7,771,785</u>	<u>(987,229)</u>	<u>6,784,556</u>
<u>\$ 3,068,331</u>	<u>\$ 5,712,859</u>	<u>\$ 1,334,931</u>	<u>\$ 7,047,790</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2020**

Net Change in Fund Balances - Governmental Funds	\$ (2,058,926)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	105,185
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	38,113
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(410,570)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	4,078,724
Governmental funds report note and bond principal payments as expenditures. However, in the Statement of Net Position, note and bond principal payments are reported as decreases in long-term liabilities.	714,091
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(3,383)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	<u>(2,200,000)</u>
Change in Net Position - Governmental Activities	<u>\$ 263,234</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 50 (the “District”) of Harris County, Texas was created by an Order of the Texas Water Rights Commission effective May 22, 1973, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, parks and recreational facilities for the residents of the District. The District is also empowered to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on June 12, 1973, and the first bonds were sold on December 16, 1977.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of May 31, 2020, the Debt Service Fund owed the General Fund \$30,636 for maintenance tax collections and \$2,250 for arbitrage compliance costs and the Capital Projects Fund owed the General Fund \$9,686 for construction costs and \$13,922 for bond issuance costs. During the current fiscal year, the Capital Projects Fund transferred \$121,809 to the General Fund to reimburse construction costs.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

	Years
Water System	10-45
Wastewater System	10-45

Budgeting

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

Pensions

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

Measurement Focus

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 3. LONG-TERM DEBT

	<u>Series 2007</u>	<u>Series 2013</u>	<u>Series 2015</u>	<u>Series 2016</u>
Amount Outstanding – May 31, 2020	\$725,000	\$995,000	\$1,865,000	\$2,015,000
Interest Rates	2.55% - 2.75%	3.23% - 4.76%	0.92% - 2.38%	0.43% - 1.73%
Maturity Dates – Serially Beginning/Ending	March 1, 2021/2028	March 1, 2021/2033	March 1, 2021/2034	March 1, 2021/2035
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2017*	September 1, 2023*	September 1, 2024*	September 1, 2026*
	<u>Series 2018</u>	<u>Series 2020</u>		
Amount Outstanding – May 31, 2020	\$2,635,000	\$2,200,000		
Interest Rates	1.09% - 2.59%	2.00% - 4.50%		
Maturity Dates – Serially Beginning/Ending	March 1, 2021/2028	March 1, 2021/2048		
Interest Payment Dates	September 1/ March 1	September 1/ March 1		
Callable Dates	December 1, 2028*	March 1, 2025*		

* Or on any date thereafter callable at par plus unpaid accrued interest from the most recent interest payment date to the date of redemption. Series 2020 term bonds maturing March 1, 2036, March 1, 2039, March 1, 2042, March 1, 2045, and March 1, 2048, are subject to mandatory sinking fund redemption beginning March 1, 2034, March 1, 2037, March 1, 2040, March 1, 2043, and March 1, 2046.

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

	<u>June 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>May 31, 2020</u>
Bonds Payable	\$ 8,670,000	\$ 2,200,000	\$ 435,000	\$ 10,435,000
		Amount Due Within One Year		\$ 475,000
		Amount Due After One Year		9,960,000
		Bonds Payable		<u>\$ 10,435,000</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 3. LONG-TERM DEBT (Continued)

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

Fiscal Year	Principal	Interest	Total
2021	\$ 475,000	\$ 230,228	\$ 705,228
2022	480,000	227,295	707,295
2023	495,000	218,978	713,978
2024	505,000	209,737	714,737
2025	510,000	199,677	709,677
2026-2030	2,650,000	818,440	3,468,440
2031-2035	2,450,000	496,429	2,946,429
2036-2040	1,005,000	295,886	1,300,886
2041-2045	1,185,000	168,199	1,353,199
2046-2048	680,000	29,214	709,214
	<u>\$ 10,435,000</u>	<u>\$ 2,894,083</u>	<u>\$ 13,329,083</u>

As of May 31, 2020, the District had authorized but unissued bonds in the amount of \$20,601,000 for acquiring and constructing water, sewer and drainage systems.

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

During the year ended May 31, 2020, the District levied an ad valorem debt service tax rate of \$0.77 per \$100 of assessed valuation, which resulted in a tax levy of \$940,172 on the adjusted taxable valuation of \$122,100,308 for the 2019 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS
(Continued)

The bond orders state that the District is required to provide to certain information repositories continuing disclosure of annual financial information and operating data with respect to the District. The information is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

In connection with the sale of the Series 2016 bonds to the Texas Water Development Board (the “TWDB”), the District and the TWDB entered into a Loan Forgiveness Agreement whereby the District received \$1,034,409 from the Drinking Water State Revolving Fund. Under the terms of the Agreement, the District will not have to repay this grant (loan forgiveness) if the funds are expended for the authorized purposes of the grant.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$3,171,706 and the bank balance was \$3,520,507. The District was not exposed to custodial credit risk at year-end.

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

	Cash
GENERAL FUND	\$ 1,583,147
DEBT SERVICE FUND	1,163,705
CAPITAL PROJECTS FUND	424,854
TOTAL DEPOSITS	\$ 3,171,706

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

The District invest in Wells Fargo Advantage Government Money Market Fund and Fidelity Institutional Money Market Treasury Portfolio, money market mutual funds which are SEC-registered. The District measures its investments in these funds at amortized cost for financial reporting purposes. There are no limits or restrictions on withdrawals from these funds.

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

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>CAPITAL PROJECTS FUND</u>		
Money Market Mutual Funds	<u>\$ 2,888,726</u>	<u>\$ 2,888,726</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2020, the District’s investment in the respective money market mutual funds were rated AAAM by Standard and Poor’s.

Interest rate risk is the risk the changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in the money market mutual funds to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions

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

NOTE 6. CAPITAL ASSETS

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

	June 1, 2019	Increases	Decreases	May 31, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 111,740	\$ 1,554	\$	\$ 113,294
Construction in Progress	<u>2,294,357</u>	<u>2,312,408</u>	<u>2,806,989</u>	<u>1,799,776</u>
Total Capital Assets Not Being Depreciated	<u>\$ 2,406,097</u>	<u>\$ 2,313,962</u>	<u>\$ 2,806,989</u>	<u>\$ 1,913,070</u>
Capital Assets Subject to Depreciation				
Equipment	\$ 31,976		\$	\$ 31,976
Water System	6,222,702			6,222,702
Wastewater System	<u>9,379,367</u>	<u>2,805,435</u>		<u>12,184,802</u>
Total Capital Assets Subject to Depreciation	<u>\$ 15,634,045</u>	<u>\$ 2,805,435</u>	<u>\$ -0-</u>	<u>\$ 18,439,480</u>
Accumulated Depreciation				
Equipment	\$ 2,348	\$ 6,413	\$	\$ 8,761
Water System	3,807,619	140,249		3,947,868
Wastewater System	<u>4,626,981</u>	<u>263,908</u>		<u>4,890,889</u>
Total Accumulated Depreciation	<u>\$ 8,436,948</u>	<u>\$ 410,570</u>	<u>\$ -0-</u>	<u>\$ 8,847,518</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 7,197,097</u>	<u>\$ 2,394,865</u>	<u>\$ -0-</u>	<u>\$ 9,591,962</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 9,603,194</u>	<u>\$ 4,708,827</u>	<u>\$ 2,806,989</u>	<u>\$ 11,505,032</u>

NOTE 7. MAINTENANCE TAX

On November 6, 2007, the voters of the District approved the levy and collection of a maintenance tax in an unlimited amount per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system. During the year ended May 31, 2020, the District levied an ad valorem maintenance tax rate of \$0.32 per \$100 of assessed valuation, which resulted in a tax levy of \$390,721 on the adjusted taxable valuation of \$122,100,308 for the 2019 tax year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 9. UNREIMBURSED COSTS

The District executed a financing agreement with a Developer which calls for the Developer to fund costs associated with the construction of public infrastructure located within the District. Reimbursement for the infrastructure costs will come from operating or construction funds to the extent approved by the Commission. The District has recorded a Due to Developer of \$233,684 in the Statement of Net Position for completed projects.

NOTE 10. NOTES PAYABLE

On January 26, 2017, the District borrowed \$500,000 from the State Infrastructure Bank to fund the relocation of water and sewer lines within the District. The loan bore interest of 1.50% per annum and was repayable in three annual installments of \$171,691 beginning on January 26, 2018. The loan was paid off in the current fiscal year.

On October 28, 2014, the District and Harris County entered into an agreement for the relocation of the District's water and sewer facilities within the right of way of the improvements to be constructed by Harris County to Crosby-Lynchburg Road. The District's share of the cost of the relocation of the facilities was estimated to be \$1,289,424. In accordance with the contract, the District paid \$300,000 to Harris County and committed to pay nine additional annual payments of \$109,936 which are due on the anniversary date of the contract. As of this date, the unpaid balance of this commitment to Harris County was \$550,897. The loan is payable from the net revenues of the District.

NOTE 11. SUBSIDENCE DISTRICT AND SAN JACINTO RIVER AUTHORITY

The District is within the Harris-Galveston Subsidence District (the "Subsidence District") Regulatory Area No. 2. The Subsidence District regulates the withdrawal of groundwater within its jurisdiction. The District's authority to pump groundwater from its well is subject to annual permits issued by the Subsidence District. The Subsidence District has ordered certain areas of suburban Houston to convert most of their water supply to surface water under various schedules. Beginning on January 2003, the District was required to have a groundwater reduction plan ("GRP"), approved by the Subsidence District and by January 2005, the District provided

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 11. SUBSIDENCE DISTRICT AND SAN JACINTO RIVER AUTHORITY
(Continued)

evidence to the Subsidence District that construction of the infrastructure defined within the District's certified groundwater reduction plan has started. The Subsidence District designated January 2010, as the date required for the District to restrict the withdrawal of ground water and convert 30% of its total water use to surface water; January 2025 as the date required for the District to restrict the withdrawal of ground water and convert 60% of its total water use to surface water; and January 2035 as the date required for the District to restrict the withdrawal of groundwater and convert 80% of its total water use to surface water. If the District does not meet the requirements of the Subsidence District, the District may be required to pay the disincentive fees adopted by the Subsidence District.

With the approval of the Subsidence District on February 12, 2014, the District has obtained a Groundwater Reduction Exemption which is a temporary exemption from the groundwater reduction requirements and disincentive fees. The District adopted a Groundwater Conservation Plan in order to obtain this exemption.

The District has reserved raw water out of the SJRA channel that runs through the District. If the District decides to build a surface water plant, then the District will treat the water. Since the District does not have a surface water plant, the District is paying a monthly commitment fee to SJRA for the reserved raw water. The District recorded expenditures of \$26,794 for fees assessed during the current fiscal year.

NOTE 12. FEDERAL GRANTS, LOANS AND LOAN FORGIVENESS

On February 25, 2015, the District was approved for a \$2,460,000 loan from the Texas Water Development Board (TWDB) from the Clean Water State Revolving Fund. Proceeds of the loan will be used for design and construction costs for certain wastewater system improvements identified as Project No. 73706. The District expended \$1,660,042, of which \$622,515 was expended in the current fiscal year. The project is in progress as of fiscal year-end.

On July 14, 2016, the District issued its \$2,470,000 Series 2016 bonds, which were purchased by the Texas Water Development Board (TWDB) from the Drinking Water State Revolving Fund. Additionally, the District received \$1,034,409 under a loan forgiveness agreement. Proceeds of the loan will be used for acquisition, design and construction costs for certain water system improvements identified as Project No. 62683. The District expended \$841,120, of which \$375,634 was expended in the current fiscal year, all under loan forgiveness. The District also expended \$462,474 in the current fiscal year from bond proceeds. The project is in progress as of fiscal year-end.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 12. FEDERAL GRANTS, LOANS AND LOAN FORGIVENESS (Continued)

On December 7, 2018, the District issued its \$2,770,000 Series 2018 bonds, which were purchased by the Texas Water Development Board (TWDB) from the Clean Water State Revolving Fund. Proceeds of the loan will be used for design and construction costs for certain wastewater system improvements identified as Project No. 73706. The District expended \$1,647,457, of which \$1,287,715 was expended in the current fiscal year. The project is in progress as of fiscal year-end.

NOTE 13. BOND SALE

On March 31, 2020, the District issued \$2,200,000 of Unlimited Tax Bonds, Series 2020. Proceeds from the bonds were used to reimburse developers for engineering and construction costs for water, wastewater and drainage facilities to serve Kodiak Crossing; lift station for Kodiak Crossing; and Pendleton utility line extension. Additional proceeds were used to pay for issuance costs of the bonds.

NOTE 14. UNCERTAINTIES

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2020

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$	\$ 370,249	\$ 370,249
Water Service	518,000	606,975	88,975
Wastewater Service	824,275	827,596	3,321
Penalty and Interest	36,770	24,037	(12,733)
Tap Connection and Inspection Fees	150,000	159,958	9,958
Investment Revenues	145	273	128
Miscellaneous Revenues	<u>53,781</u>	<u>119,750</u>	<u>65,969</u>
TOTAL REVENUES	\$ 1,582,971	\$ 2,108,838	\$ 525,867
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 160,250	\$ 142,873	\$ 17,377
Contracted Services	288,545	287,871	674
Utilities	90,150	97,717	(7,567)
SJRA Assessment	40,750	26,794	13,956
Repairs and Maintenance	305,775	385,474	(79,699)
Other	391,290	352,905	38,385
Personnel	243,400	230,334	13,066
Debt Service:			
Note Principal	3,654	279,091	(275,437)
Note Interest	<u>88</u>	<u>2,536</u>	<u>(2,448)</u>
TOTAL EXPENDITURES	\$ 1,523,902	\$ 1,805,595	\$ (281,693)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 59,069	\$ 303,243	\$ 244,174
OTHER FINANCING SOURCES(USES)			
Transfers In (Out)	<u>\$ -0-</u>	<u>\$ 121,809</u>	<u>\$ 121,809</u>
NET CHANGE IN FUND BALANCE	\$ 59,069	\$ 425,052	\$ 365,983
FUND BALANCE - JUNE 1, 2019	<u>1,093,209</u>	<u>1,093,209</u>	<u></u>
FUND BALANCE - MAY 31, 2020	<u>\$ 1,152,278</u>	<u>\$ 1,518,261</u>	<u>\$ 365,983</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50

**SUPPLEMENTARY INFORMATION –
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

MAY 31, 2020

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October 22, 2020

Board of Directors
Harris County Municipal Utility District No. 50
Harris County, Texas

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 50 ("the District") as of and for the year ended May 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 22, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 22, 2020

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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October 22, 2020

Board of Directors
Harris County Municipal Utility District No. 50
Harris County, Texas

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Report on Compliance for Each Major Federal Program

We have audited Harris County Municipal Utility District No. 50's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended May 31, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2020.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 22, 2020

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2020

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Loan/Contract/Warrant Grant Award Number</u>	<u>Federal Expenditures</u>
U.S. Environmental Protection Agency:			
Clean Water State Revolving Fund Pass-Through programs from the Texas Water Development Board	66.458	L1000400 Loan/SR 2015/ Project 73706	\$ 622,515
Clean Water State Revolving Fund Pass-Through programs from the Texas Water Development Board	66.458	L1000802 Loan Forgiveness/ SR 2018/Project 73706	<u>1,287,715</u>
Total Clean Water State Revolving Fund			\$ 1,910,230
Drinking Water State Revolving Fund Pass-Through programs from the Texas Water Development Board	66.468	L1000471 Loan/SR 2016/ Project 62683	\$ 462,474
Drinking Water State Revolving Fund Pass-Through programs from the Texas Water Development Board	66.468	LF1000492 Loan Forgiveness/ SR 2016/Project 62683	<u>375,634</u>
Total Drinking Water State Revolving Fund			<u>\$ 838,108</u>
Total Environmental Protection Agency			<u>\$ 2,748,338</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2020

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal award includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2. FEDERAL GRANTS, LOANS AND LOAN FORGIVENESS

On February 25, 2015, the District was approved for a \$2,460,000 loan from the Texas Water Development Board (TWDB) from the Clean Water State Revolving Fund. Proceeds of the loan will be used for design and construction costs for certain wastewater system improvements identified as Project No. 73706. The District expended \$1,660,042, of which \$622,515 was expended in the current fiscal year. The project is in progress as of fiscal year-end.

On July 14, 2016, the District issued its \$2,470,000 Series 2016 bonds, which were purchased by the Texas Water Development Board (TWDB) from the Drinking Water State Revolving Fund. Additionally, the District received \$1,034,409 under a loan forgiveness agreement. Proceeds of the loan will be used for acquisition, design and construction costs for certain water system improvements identified as Project No. 62683. The District expended \$841,120, of which \$375,634 was expended in the current fiscal year, all under loan forgiveness. The District also expended \$462,474 in the current fiscal year from bond proceeds. The project is in progress as of fiscal year-end.

On December 7, 2018, the District issued its \$2,770,000 Series 2018 bonds, which were purchased by the Texas Water Development Board (TWDB) from the Clean Water State Revolving Fund. Proceeds of the loan will be used for design and construction costs for certain wastewater system improvements identified as Project No. 73706. The District expended \$1,647,457, of which \$1,287,715 was expended in the current fiscal year. The project is in progress as of fiscal year-end.

NOTE 3. MATCHING COSTS

Matching Costs, the nonfederal share of certain program costs, are not included on the Schedule.

NOTE 4. INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2020

NOTE 5. FEDERALLY FUNDED LOAN PROGRAMS

The District participates in certain federally funded loan programs, but none are direct from the federal agency. Certain outstanding bond issued were originally funded through the Clean Water State Revolving Fund or the Drinking Water State Revolving Fund via the Texas Water Development Board. Only the Series 2015, Series 2016 and Series 2018 funds are still available to fund programs. All others were expended in prior years.

<u>Series</u>	<u>Funded Through</u>	<u>Balance June 1, 2019</u>	<u>Balance May 31, 2020</u>
2012	DWSRF	\$	\$
2015	CWSRF	\$ 1,985,000	\$ 1,865,000
2016	DWSRF	\$ 2,130,000	\$ 2,015,000
2018	CWSRF	\$ 2,705,000	\$ 2,635,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2020

Section I — Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant Deficiencies(s) identified
that are not considered to be
material weaknesses? yes None reported

Noncompliance material to financial
statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant Deficiencies(s) identified
that are not considered to be material
weakness(es)? yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with 2 CFR 200.516 of Uniform Guidance yes no

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2020

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

66.458 **U.S. Environment Protection Agency Clean Water State Revolving Fund Pass-Through programs from the Texas Water Development Board**

Dollar threshold used to distinguish

between type A and type B programs: \$750,000

Auditee Qualified as low-risk auditee? yes no

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2020

Section II — Financial Statement Findings

None

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2020

Section III— Federal Award Findings and Questioned Costs

None

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED MAY 31, 2020

None

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MAY 31, 2020

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2020

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved March 4, 2019.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 26.00	5,000	N	\$ 1.80 \$ 2.00 \$ 2.40 \$ 2.90	5,001 to 15,000 15,001 to 25,000 25,001 to 35,000 35,001 and up
WASTEWATER:	\$ 37.50	5,000	N	\$ 1.80 \$ 2.00 \$ 2.40 \$ 2.90	5,001 to 15,000 15,001 to 25,000 25,001 to 35,000 35,001 and up

SURCHARGE:

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

Total monthly charges per 10,000 gallons usage: Water: \$35.00 Wastewater: \$46.50 Total: \$81.50

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2020

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤ ³ / ₄ "	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1½"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water Connections	=====	=====		=====
Total Wastewater Connections	=====	=====	x 1.0	=====

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

Gallons billed to customers: _____ Water Accountability Ratio: _____%
 (Gallons billed/Gallons pumped)

Gallons pumped: _____

Note: Above information was unavailable at time of audit.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2020

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2020

PERSONNEL EXPENDITURES (Including Benefits)	\$ 230,334
PROFESSIONAL FEES:	
Auditing	\$ 29,750
Engineering	46,460
Legal	66,663
TOTAL PROFESSIONAL FEES	<u>\$ 142,873</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 23,616
Operations and Billing	13,294
Consent Decree Consultant	51,413
Solid Waste Disposal	199,548
TOTAL CONTRACTED SERVICES	<u>\$ 287,871</u>
UTILITIES:	
Electricity	\$ 89,698
Telephone	8,019
TOTAL UTILITIES	<u>\$ 97,717</u>
REPAIRS AND MAINTENANCE	<u>\$ 385,474</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 24,150
Insurance	26,765
Office Supplies and Postage	28,385
Payroll Taxes and Expenses	28,712
Travel and Meetings	19,891
Other	1,110
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 129,013</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2020

TAP CONNECTIONS	\$ 106,664
OTHER EXPENDITURES:	
Chemicals	\$ 16,915
Laboratory Fees	20,593
Permit Fees	10,416
Inspection Fees	5,950
SJRA Assessment	26,794
Regulatory Assessment	5,553
Sludge Hauling	44,764
Other	13,037
TOTAL OTHER EXPENDITURES	<u>\$ 144,022</u>
DEBT SERVICE:	
Note Principal	\$ 279,091
Note Interest	<u>2,536</u>
TOTAL DEBT SERVICE	<u>\$ 281,627</u>
TOTAL EXPENDITURES	<u><u>\$ 1,805,595</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
INVESTMENTS
MAY 31, 2020

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>CAPITAL PROJECTS FUND</u>					
Money Market Mutual Fund	XXXX4519	Varies	Daily	\$ 100,956	\$
Money Market Mutual Fund	XXXX4518	Varies	Daily	1,980,439	
Money Market Mutual Fund	XXXX7238	Varies	Daily	<u>807,331</u>	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 2,888,726</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2020

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JUNE 1, 2019	\$ 289,423		\$ 294,306	
Adjustments to Beginning				
Balance	<u>313</u>	\$ 289,736	<u>(786)</u>	\$ 293,520
Original 2019 Tax Levy	\$ 370,322		\$ 891,087	
Adjustment to 2019 Tax Levy	<u>20,399</u>	<u>390,721</u>	<u>49,085</u>	<u>940,172</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 680,457		\$ 1,233,692
TAX COLLECTIONS:				
Prior Years	\$ 42,654		\$ 66,710	
Current Year	<u>327,595</u>	<u>370,249</u>	<u>788,276</u>	<u>854,986</u>
TAXES RECEIVABLE -				
MAY 31, 2020		<u>\$ 310,208</u>		<u>\$ 378,706</u>
TAXES RECEIVABLE BY				
YEAR:				
2019		\$ 63,126		\$ 151,896
2018		27,871		54,236
2017		17,318		32,358
2016		13,275		22,017
2015		11,110		19,239
2014		27,844		
2013		27,798		
2012		22,877		
2011 and prior		<u>98,989</u>		<u>98,960</u>
TOTAL		<u>\$ 310,208</u>		<u>\$ 378,706</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2020

	2019	2018	2017	2016
PROPERTY VALUATIONS:				
Land	\$ 46,090,274	\$ 27,061,284	\$ 23,374,160	\$ 20,839,812
Improvements	82,760,743	70,431,143	59,949,502	51,393,491
Personal Property	6,568,687	9,372,706	8,117,226	5,532,786
Exemptions	<u>(13,319,396)</u>	<u>(10,016,423)</u>	<u>(9,639,021)</u>	<u>(9,652,402)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 122,100,308</u>	<u>\$ 96,848,710</u>	<u>\$ 81,801,867</u>	<u>\$ 68,113,687</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.77	\$ 0.72	\$ 0.71	\$ 0.68
Maintenance	<u>0.32</u>	<u>0.37</u>	<u>0.38</u>	<u>0.41</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.09</u>	<u>\$ 1.09</u>	<u>\$ 1.09</u>	<u>\$ 1.09</u>
ADJUSTED TAX LEVY*	<u>\$ 1,330,893</u>	<u>\$ 1,055,651</u>	<u>\$ 891,640</u>	<u>\$ 742,439</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>83.84 %</u>	<u>92.22 %</u>	<u>94.43 %</u>	<u>95.25 %</u>

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

Maintenance Tax – An unlimited tax rate per \$100 of assessed valuation approved by voters on November 6, 2007.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2020

S E R I E S - 2 0 0 7

Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2021	\$ 80,000	\$ 19,157	\$ 99,157
2022	85,000	17,117	102,117
2023	85,000	14,950	99,950
2024	90,000	12,740	102,740
2025	90,000	10,400	100,400
2026	95,000	8,015	103,015
2027	100,000	5,450	105,450
2028	100,000	2,750	102,750
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
	<u>\$ 725,000</u>	<u>\$ 90,579</u>	<u>\$ 815,579</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2020

SERIES - 2013

Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2021	\$ 60,000	\$ 42,474	\$ 102,474
2022	60,000	40,536	100,536
2023	65,000	38,442	103,442
2024	65,000	36,056	101,056
2025	70,000	33,560	103,560
2026	75,000	30,746	105,746
2027	75,000	27,604	102,604
2028	80,000	24,341	104,341
2029	80,000	20,757	100,757
2030	85,000	17,109	102,109
2031	90,000	13,191	103,191
2032	95,000	8,997	103,997
2033	95,000	4,522	99,522
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
	<u>\$ 995,000</u>	<u>\$ 338,335</u>	<u>\$ 1,333,335</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2020

SERIES - 2015

Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2021	\$ 120,000	\$ 34,704	\$ 154,704
2022	120,000	33,600	153,600
2023	120,000	32,220	152,220
2024	125,000	30,624	155,624
2025	125,000	28,750	153,750
2026	130,000	26,747	156,747
2027	130,000	24,486	154,486
2028	135,000	22,067	157,067
2029	135,000	19,370	154,370
2030	140,000	16,562	156,562
2031	140,000	13,538	153,538
2032	145,000	10,416	155,416
2033	150,000	7,080	157,080
2034	150,000	3,570	153,570
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
	<u>\$ 1,865,000</u>	<u>\$ 303,734</u>	<u>\$ 2,168,734</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2020

S E R I E S - 2 0 1 6

Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2021	\$ 120,000	\$ 25,460	\$ 145,460
2022	120,000	24,944	144,944
2023	125,000	24,248	149,248
2024	125,000	23,336	148,336
2025	125,000	22,236	147,236
2026	130,000	20,948	150,948
2027	130,000	19,454	149,454
2028	135,000	17,776	152,776
2029	135,000	15,914	150,914
2030	140,000	13,984	153,984
2031	140,000	11,912	151,912
2032	145,000	9,770	154,770
2033	145,000	7,478	152,478
2034	150,000	5,114	155,114
2035	150,000	2,596	152,596
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
	<u>\$ 2,015,000</u>	<u>\$ 245,170</u>	<u>\$ 2,260,170</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2020

SERIES - 2018

Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2021	\$ 70,000	\$ 58,365	\$ 128,365
2022	70,000	57,603	127,603
2023	75,000	56,748	131,748
2024	75,000	55,736	130,736
2025	75,000	54,611	129,611
2026	80,000	53,419	133,419
2027	80,000	52,066	132,066
2028	85,000	50,627	135,627
2029	85,000	49,012	134,012
2030	85,000	47,311	132,311
2031	90,000	45,544	135,544
2032	90,000	43,627	133,627
2033	95,000	41,664	136,664
2034	95,000	39,527	134,527
2035	100,000	37,333	137,333
2036	100,000	34,972	134,972
2037	105,000	32,563	137,563
2038	105,000	30,000	135,000
2039	110,000	27,407	137,407
2040	110,000	24,668	134,668
2041	115,000	21,896	136,896
2042	115,000	18,986	133,986
2043	120,000	16,065	136,065
2044	120,000	13,005	133,005
2045	125,000	9,934	134,934
2046	130,000	6,721	136,721
2047	130,000	3,367	133,367
2048			
	<u>\$ 2,635,000</u>	<u>\$ 982,777</u>	<u>\$ 3,617,777</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2020

SERIES - 2020

Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2021	\$ 25,000	\$ 50,068	\$ 75,068
2022	25,000	53,495	78,495
2023	25,000	52,370	77,370
2024	25,000	51,245	76,245
2025	25,000	50,120	75,120
2026	25,000	48,995	73,995
2027	25,000	47,870	72,870
2028	25,000	46,745	71,745
2029	65,000	45,620	110,620
2030	65,000	42,695	107,695
2031	70,000	41,070	111,070
2032	75,000	39,670	114,670
2033	75,000	38,170	113,170
2034	80,000	36,670	116,670
2035	85,000	34,970	119,970
2036	85,000	33,164	118,164
2037	90,000	31,358	121,358
2038	95,000	29,378	124,378
2039	100,000	27,288	127,288
2040	105,000	25,088	130,088
2041	110,000	22,725	132,725
2042	110,000	20,250	130,250
2043	115,000	17,775	132,775
2044	125,000	15,188	140,188
2045	130,000	12,375	142,375
2046	135,000	9,450	144,450
2047	140,000	6,413	146,413
2048	145,000	3,263	148,263
	<u>\$ 2,200,000</u>	<u>\$ 933,488</u>	<u>\$ 3,133,488</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2020

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending May 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 475,000	\$ 230,228	\$ 705,228
2022	480,000	227,295	707,295
2023	495,000	218,978	713,978
2024	505,000	209,737	714,737
2025	510,000	199,677	709,677
2026	535,000	188,870	723,870
2027	540,000	176,930	716,930
2028	560,000	164,306	724,306
2029	500,000	150,673	650,673
2030	515,000	137,661	652,661
2031	530,000	125,255	655,255
2032	550,000	112,480	662,480
2033	560,000	98,914	658,914
2034	475,000	84,881	559,881
2035	335,000	74,899	409,899
2036	185,000	68,136	253,136
2037	195,000	63,921	258,921
2038	200,000	59,378	259,378
2039	210,000	54,695	264,695
2040	215,000	49,756	264,756
2041	225,000	44,621	269,621
2042	225,000	39,236	264,236
2043	235,000	33,840	268,840
2044	245,000	28,193	273,193
2045	255,000	22,309	277,309
2046	265,000	16,171	281,171
2047	270,000	9,780	279,780
2048	145,000	3,263	148,263
	<u>\$ 10,435,000</u>	<u>\$ 2,894,083</u>	<u>\$ 13,329,083</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2020

Description	Original Bonds Issued	Bonds Outstanding June 1, 2019
Harris County Municipal Utility District No. 50 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2007	\$ 1,500,000	\$ 800,000
Harris County Municipal Utility District No. 50 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2013	1,350,000	1,050,000
Harris County Municipal Utility District No. 50 Unlimited Tax and Revenue Bonds, Series 2015	2,460,000	1,985,000
Harris County Municipal Utility District No. 50 Unlimited Tax Bonds - Series 2016	2,470,000	2,130,000
Harris County Municipal Utility District No. 50 Unlimited Tax Bonds - Series 2018	2,770,000	2,705,000
Harris County Municipal Utility District No. 50 Unlimited Tax Bonds - Series 2020	<u>2,200,000</u>	
TOTAL	<u><u>\$ 12,750,000</u></u>	<u><u>\$ 8,670,000</u></u>

Bond Authority:	<u>Tax and Revenue Bonds</u>
Amount Authorized by Voters	\$ 38,686,000
Amount Issued	<u>18,085,000</u>
Remaining to be Issued	<u><u>\$ 20,601,000</u></u>

Debt Service Fund cash, investments and cash with paying agent balances as of May 31, 2020: \$ 1,163,705

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 476,039

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding May 31, 2020</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 75,000	\$ 21,032	\$ 725,000	Wells Fargo Bank N.A. Houston, TX
	55,000	44,052	995,000	Amegy Bank, N.A. Houston, TX
	120,000	35,544	1,865,000	Amegy Bank, N.A. Houston, TX
	115,000	25,783	2,015,000	Amegy Bank, N.A. Houston, TX
	70,000	59,031	2,635,000	Amegy Bank, N.A. Houston, TX
<u>2,200,000</u>			<u>2,200,000</u>	Amegy Bank, N.A. Houston, TX
<u>\$ 2,200,000</u>	<u>\$ 435,000</u>	<u>\$ 185,442</u>	<u>\$ 10,435,000</u>	

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 370,249	\$ 368,695	\$ 338,251
Water Service	606,975	449,843	499,066
Wastewater Service	827,596	711,135	670,612
Penalty and Interest	24,037	36,559	26,370
Tap Connection and Inspection Fees	159,958	139,441	76,040
Investment Revenues	273	214	181
Miscellaneous Revenues	119,750	107,666	51,556
TOTAL REVENUES	\$ 2,108,838	\$ 1,813,553	\$ 1,662,076
EXPENDITURES			
Professional Fees	\$ 142,873	\$ 125,512	\$ 245,638
Contracted Services	287,871	284,345	330,257
Utilities	97,717	90,993	93,917
SJRA Assessment	26,794	40,851	37,628
Repairs and Maintenance	385,474	285,752	495,227
Other	352,905	370,811	398,617
Personnel	230,334	203,678	213,468
Note Principal	279,091	198,013	274,127
Note Interest	2,536	5,689	7,500
Capital Outlay	_____	31,976	55,830
TOTAL EXPENDITURES	\$ 1,805,595	\$ 1,637,620	\$ 2,152,209
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 303,243	\$ 175,933	\$ (490,133)
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ 121,809	\$	\$
Proceeds from Loan	_____	_____	_____
Capital Lease Proceeds	_____	31,976	_____
TOTAL OTHER FINANCING SOURCES (USES)	\$ 121,809	\$ 31,976	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 425,052	\$ 207,909	\$ (490,133)
BEGINNING FUND BALANCE	1,093,209	885,300	1,375,433
ENDING FUND BALANCE	\$ 1,518,261	\$ 1,093,209	\$ 885,300

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 319,349	\$ 338,398	17.6 %	20.4 %	20.4 %	18.6 %	22.3 %
444,437	399,626	28.8	24.8	30.0	26.0	26.4
652,939	595,851	39.2	39.2	40.3	38.2	39.3
40,385	40,644	1.1	2.0	1.6	2.4	2.7
207,805	87,775	7.6	7.7	4.6	12.1	5.8
189	216					
46,314	53,526	5.7	5.9	3.1	2.7	3.5
<u>\$ 1,711,418</u>	<u>\$ 1,516,036</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 259,498	\$ 199,877	6.8 %	6.9 %	14.8 %	15.2 %	13.2 %
348,116	336,496	13.7	15.7	19.9	20.3	22.2
62,082	88,162	4.6	5.0	5.7	3.6	5.8
36,290	34,615	1.3	2.3	2.3	2.1	2.3
375,030	356,306	18.3	15.8	29.8	21.9	23.5
433,038	280,887	16.7	20.4	24.0	25.3	18.5
233,703	91,009	10.9	11.2	12.8	13.7	6.0
		13.2	10.9	16.5		
		0.1	0.3	0.5		
698,307	509,495		1.8	3.4	40.8	33.6
<u>\$ 2,446,064</u>	<u>\$ 1,896,847</u>	<u>85.6 %</u>	<u>90.3 %</u>	<u>129.7 %</u>	<u>142.9 %</u>	<u>125.1 %</u>
<u>\$ (734,646)</u>	<u>\$ (380,811)</u>	<u>14.4 %</u>	<u>9.7 %</u>	<u>(29.7) %</u>	<u>(42.9) %</u>	<u>(25.1) %</u>
\$ 351,356	\$ (44,133)					
500,000						
<u>\$ 851,356</u>	<u>\$ (44,133)</u>					
\$ 116,710	\$ (424,944)					
1,258,723	1,683,667					
<u>\$ 1,375,433</u>	<u>\$ 1,258,723</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 854,986	\$ 664,292	\$ 578,881
Penalty and Interest	73,219	95,186	120,902
Investment Revenue	1,525	1,443	680
Miscellaneous Revenues	42,813	47,150	8,085
TOTAL REVENUES	\$ 972,543	\$ 808,071	\$ 708,548
EXPENDITURES			
Tax Collection Expenditures	\$ 57,185	\$ 58,343	\$ 52,989
Debt Service Principal	435,000	430,000	360,000
Debt Service Interest and Fees	190,692	149,362	138,440
TOTAL EXPENDITURES	\$ 682,877	\$ 637,705	\$ 551,429
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 289,666	\$ 170,366	\$ 157,119
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ -0-	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 289,666	\$ 170,366	\$ 157,119
BEGINNING FUND BALANCE	836,601	666,235	509,116
ENDING FUND BALANCE	\$ 1,126,267	\$ 836,601	\$ 666,235
TOTAL ACTIVE RETAIL WATER CONNECTIONS	*	1,492	1,487
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	*	1,468	1,463

*Information was unavailable at time of audit.

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 458,951	\$ 374,195	87.9 %	82.2 %	81.7 %	77.6 %	72.7 %
131,740	139,125	7.5	11.8	17.1	22.3	27.1
772	828	0.2	0.2	0.1	0.1	0.2
		4.4	5.8	1.1		
<u>\$ 591,463</u>	<u>\$ 514,148</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 55,511	\$ 61,402	5.9 %	7.2 %	7.5 %	9.4 %	11.9 %
345,000	240,000	44.7	53.2	50.8	58.3	46.7
129,433	104,233	19.6	18.5	19.5	21.9	20.3
<u>\$ 529,944</u>	<u>\$ 405,635</u>	<u>70.2 %</u>	<u>78.9 %</u>	<u>77.8 %</u>	<u>89.6 %</u>	<u>78.9 %</u>
\$ 61,519	\$ 108,513	<u>29.8 %</u>	<u>21.1 %</u>	<u>22.2 %</u>	<u>10.4 %</u>	<u>21.1 %</u>
\$ -0-	\$ 75,000					
\$ 61,519	\$ 183,513					
447,597	264,084					
<u>\$ 509,116</u>	<u>\$ 447,597</u>					
<u>1,480</u>	<u>1,394</u>					
<u>1,456</u>	<u>1,370</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2020

District Mailing Address - Harris County Municipal Utility District No. 50
c/o Norton Rose Fulbright US LLP
1301 McKinney, Suite 5100
Houston, TX 77010-3095

District Telephone Number - (713) 651-5151

Board Members	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended May 31, 2020</u>	<u>Expense Reimbursements for the year ended May 31, 2020</u>	<u>Title</u>
Martin Lemond	11/2018 – 11/2022 (Elected)	\$ 4,500	\$ 2,963	President/ Position 5
Andrew Sonnier	11/2016 – 11/2020 (Elected)	\$ 5,400	\$ 1,616	Vice President Position 4
Alice Dangerfield	11/2016 – 11/2020 (Elected)	\$ 5,400	\$ 2,116	Secretary/ Position 2
Daryl G. Johnson	11/2018 – 11/2022 (Elected)	\$ 5,250	\$ 1,406	Treasurer/ Investment Officer/ Position 3
Elyard David	11/2018 – 11/2022 (Elected)	\$ 3,600	\$ -0-	Assistant Secretary/ Position 1

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

Submission date of most recent District Registration Form: October 26, 2017

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200. Fees of Office are the amounts actually paid to a Director during the District’s current fiscal year.

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2020

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2020</u>	<u>Title</u>
Norton Rose Fulbright US LLP	09/04/17	\$ 66,663 \$ 68,950	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	08/07/18	\$ 29,750 \$ 9,000	Auditor Bond Related
ETI Bookkeeping Services	9/12	\$ 23,947	Bookkeeper
Linebarger Heard Goggan Blair & Sampson, L.L.P.	04/02/96	\$ 26,955	Delinquent Tax Attorney
Cobb Fendley & Associates, Inc.	11/01/16	\$ 335,294	Engineer
The GMS Group, L.L.C.	Prior to 2014	\$ 45,865	Financial Advisor
Municipal Operations and Consulting, Inc.	01/01/15	\$ 316,651	Operator
San Jacinto Tax Service Co., L.L.C.	01/81	\$ 15,316	Tax Assessor/ Collector
John Hall	Prior to 2013	\$ 51,413	Public Affairs

See accompanying independent auditor's report.

APPENDIX B

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT No. 50

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN