

OFFICIAL STATEMENT DATED DECEMBER 1, 2021

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239. IN THE OPINION OF SPECIAL TAX COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE “LEGAL MATTERS” AND “TAX MATTERS” HEREIN FOR A DISCUSSION OF THE OPINIONS OF BOND COUNSEL AND SPECIAL TAX COUNSEL, RESPECTIVELY.

THE BONDS HAVE BEEN DESIGNATED “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “TAX MATTERS—Qualified Tax-Exempt Obligations.”

NEW ISSUE-Book-Entry Only

Insured Rating (BAM): S&P “AA”
Underlying Rating: S&P “A-”
See “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE” herein.

\$4,225,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX REFUNDING BONDS, SERIES 2022

The bonds described above (the “Bonds”) are obligations solely of Harris County Municipal Utility District No. 239 (the “District”) and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District.

Dated Date: January 1, 2022

Due: March 1, as shown below

Interest Accrual Date: Date of Delivery

Principal of the Bonds will be payable at maturity at the principal payment office of the Paying Agent/Registrar, initially, Regions Bank, Houston, Texas (the “Paying Agent/Registrar”). Interest on the Bonds will accrue from the date of delivery (expected to be January 6, 2022) (the “Date of Delivery”) and will be payable on September 1 and March 1 of each year commencing September 1, 2022, until maturity and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of \$5,000 each or integral multiples thereof. The Bonds are not subject to optional redemption prior to maturity.

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



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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2023	\$ 715,000	4.000 %	0.40 %	413937 LC5
2024	1,115,000	4.000	0.57	413937 KY8
2025	1,245,000	4.000	0.73	413937 KZ5
2026	555,000	4.000	0.92	413937 LA9
2027	595,000	4.000	1.04	413937 LB7

(a) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.

(b) CUSIP Numbers will be assigned to the Bonds by CUSIP Service Bureau and will be included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See “INVESTMENT CONSIDERATIONS”.

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Bond Counsel, Houston, Texas, and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel. Certain legal matters will be passed on for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Underwriter’s Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about January 6, 2022.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

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

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$4,583,068.03 (representing the principal amount of the Bonds of \$4,225,000.00, plus a premium on the Bonds of \$395,520.10, less an Underwriter’s discount of \$37,452.07). The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING.”

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not 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.

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this OFFICIAL STATEMENT. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire Official Statement and of the documents summarized or described therein.

INFECTIOUS DISEASE OUTLOOK (COVID-19)

General...

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

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment.” The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

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

THE FINANCING

The Issuer...

Harris County Municipal Utility District No. 239 (the “District”), a political subdivision of the State of Texas, is located in Harris County, Texas. See “THE DISTRICT.”

Description...

\$4,225,000 Harris County Municipal Utility District No. 239, Unlimited Tax Refunding Bonds, Series 2022, dated January 1, 2022 (the “Bonds”). Interest on the Bonds will accrue from the Date of Delivery and will be payable on September 1 and March 1 of each year commencing September 1, 2022 until maturity. The Bonds mature serially on March 1 in each year from 2023 through 2027, inclusive, in the respective amounts and bear interest at the rates for each maturity shown on the cover page hereof. The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple thereof. See “THE BONDS.”

Redemption...

The Bonds are not subject to optional redemption prior to maturity.

<i>Book-Entry Only...</i>	The Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of 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.”
<i>Authority for Issuance...</i>	At an election held within the District on May 1, 1993, the voters within the District authorized a total of \$19,020,000 principal amount of unlimited tax refunding bonds. The Bonds are issued by the District pursuant to said election and to the terms and provisions of an order authorizing the issuance of the Bonds (the “Bond Order”); Article XVI, Section 59 of the Texas Constitution; Chapter 1207, Texas Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; and City of Houston Ordinance No. 97-416. See “THE BONDS—Authority for Issuance” and “—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”
<i>Source of Payment...</i>	Principal of and interest on the Bonds and the Remaining Outstanding Bonds (as herein defined) and any additional bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. See “THE BONDS—Source of and Security for Payment.”
<i>Use of Proceeds...</i>	Proceeds from the sale of the Bonds and lawfully available debt service funds will be used to pay certain costs incurred in connection with the issuance of the Bonds and to refund \$4,405,000 principal amount of the Outstanding Bonds (as hereinafter defined) in order to achieve net savings in the District’s annual debt service expense. See “PLAN OF FINANCING.”
<i>Payment Record...</i>	The District has previously issued \$27,050,000 principal amount of unlimited tax bonds (including one series of unlimited tax park bonds) and \$20,045,000 of unlimited tax refunding bonds (collectively, the “Previously Issued Bonds”). A total of \$12,695,000 in principal amount of such bonds is currently outstanding (the “Outstanding Bonds”). A total of \$8,290,000 in principal amount of the District’s Outstanding Bonds will remain outstanding after the issuance of the Bonds (the “Remaining Outstanding Bonds”). The District has never defaulted in the payment of principal and interest on the Previously Issued Bonds.
<i>Qualified Tax-Exempt Obligations...</i>	The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS— Qualified Tax-Exempt Obligations.”
<i>Municipal Bond Insurance and Municipal Bond Rating...</i>	It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) will assign a 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 Build America Mutual Assurance Company. S&P has also assigned an underlying rating of “A-” to the Bonds. An explanation of the ratings may be obtained from S&P. There is no assurance that any of such ratings will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.
<i>Bond Counsel...</i>	Schwartz, Page & Harding, L.L.P., Houston, Texas.
<i>Special Tax Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Dallas, Texas.
<i>Underwriter’s Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Paying Agent/Registrar...</i>	Regions Bank, Houston, Texas.
<i>Escrow Agent...</i>	Regions Bank, Houston, Texas.

*Paying Agent for the
Refunded Bonds...*

U.S. Bank, N.A., Houston, Texas for the Unlimited Tax Refunding Bonds, Series 2012 and Regions Bank, N.A., Houston, Texas for the Unlimited Tax Refunding Bonds, Series 2015.

Verification Agent...

Public Finance Partners LLC, Rockford, Minnesota.

THE DISTRICT

Description...

The District is a political subdivision of the State of Texas, created by order of the Texas Water Commission, a predecessor to the Texas Commission on Environmental Quality (the "Commission"), dated July 13, 1983. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 490 acres of land. See "THE DISTRICT." The District is located in Harris County, approximately 21 miles west-northwest of the central downtown business district of the City of Houston. The District is located east of Fry Road, west of Barker Cypress Road and is bisected by West Little York. The District is located entirely within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Cypress-Fairbanks Independent School District. See "THE DISTRICT."

Status of Development...

Approximately 365 acres has been developed into the single-family subdivisions of Bear Creek Plantation, Sections 1 through 7, Bear Creek Meadows, Sections 1 through 4 and Austinville, which collectively encompass 1,815 single family lots. As of October 15, 2021, 1,783 homes were completed and occupied in the District and 19 homes were completed and unoccupied. There are also 57 acres which have been developed for commercial purposes, 40 of which have above ground improvements. Commercial improvements include a Shell Service Station, two Chevron Service Stations, a Wells Fargo Bank, a McDonald's restaurant, a Kwik Kar Lube and Car Care center, a Waffle House restaurant, one daycare center and several small shopping centers, which include small restaurants, and other retail businesses. Jowell Elementary School has been constructed on approximately 10 acres, and the Cypress-Fairbanks Independent School District Alternative Learning Center and Hoover Elementary School have been constructed on approximately 26 acres, all of which are exempt from ad valorem taxation. In addition, there are approximately 31 acres that are undevelopable, which includes approximately 5 acres designated as recreational sites. See "THE DISTRICT— Residential Development" and "Commercial Development."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION

2021 Taxable Assessed Valuation.....	\$384,485,238	(a)
Gross Direct Debt Outstanding	\$ 12,515,000	(b)
Estimated Overlapping Debt	<u>21,980,690</u>	(c)
Total Gross Direct Debt and Estimated Overlapping Debt	<u>\$34,495,690</u>	
Ratios of Gross Direct Debt to:		
2021 Taxable Assessed Valuation	3.25%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2021 Taxable Assessed Valuation.....	8.96%	
Capital Projects Funds Available as of November 16, 2021	\$863,479	
Operating Funds Available as of November 16, 2021.....	\$5,467,956	
Debt Service Funds Available as of November 16, 2021	\$1,251,539	(d)
2021 Debt Service Tax Rate.....	\$0.39	
2021 Maintenance Tax Rate	<u>0.19</u>	
2021 Total Tax Rate	\$0.58	
Average Annual Debt Service Requirement (2022-2039).....	\$835,237	(e)
Maximum Annual Debt Service Requirement (2022).....	\$1,588,374	(e)
Tax Rates Required to Pay Average Annual Debt Service (2022-2039) at a 95% Collection Rate		
Based upon 2021 Taxable Assessed Valuation	\$0.23	
Tax Rates Required to Pay Maximum Annual Debt Service (2022) at a 95% Collection Rate		
Based upon 2021 Taxable Assessed Valuation	\$0.44	
Water and Sewer Connections as of October 15, 2021 (f):		
Single Family Residential – Completed and Occupied	1,783	
Single Family Residential – Vacant	19	
Other.....	35	
Estimated Population.....	6,240	(g)

- (a) The Harris County Appraisal District (the “Appraisal District”) has certified \$361,335,784 of value as of January 1, 2021. According to the Appraisal District, estimated final value with hearing loss of properties remaining uncertified totals \$23,449,454. The above total represents the certified value plus the uncertified value. See “TAX PROCEDURES.”
- (b) After issuance of the Bonds. See “FINANCIAL STATEMENT—Outstanding Bonds.”
- (c) See “ESTIMATED OVERLAPPING DEBT STATEMENT” and “—Overlapping Taxes.”
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular balance in the Bond Fund. The District will contribute \$17,000 of existing debt service funds to refunding the Refunded Bonds.
- (e) See “FINANCIAL STATEMENT”, “DEBT SERVICE REQUIREMENTS” and “TAX DATA—Tax Adequacy Debt Service.”
- (f) See “THE DISTRICT—Status of Development.”
- (g) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

\$4,225,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX REFUNDING BONDS, SERIES 2022

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Harris County Municipal Utility District No. 239 (the “District”) of its \$4,225,000 Unlimited Tax Refunding Bonds, Series 2022 (the “Bonds”).

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

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of documents may be obtained from the District c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 1400, Houston, Texas 77056, upon payment of the cost of duplication.

PLAN OF FINANCING

Purpose

The proceeds of the Bonds and lawfully available debt service funds are being used to currently refund a portion of two series of the District’s Outstanding Bonds totaling \$4,405,000 (the “Refunded Bonds”) in order to reduce the District’s debt service expense and result in net present value savings. Such funds will also be used to pay the costs of issuance of the Bonds. See “Sources and Uses of Funds” in this section. A total of \$8,290,000 in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the “Remaining Outstanding Bonds”) and, including the Bonds, a total of \$12,515,000 principal amount in bonds will remain outstanding. See “FINANCIAL STATEMENT—Outstanding Bonds” and “DEBT SERVICE REQUIREMENTS.”

Refunded Bonds

Proceeds of the Bonds, together with other lawfully available debt service funds of the District, will be applied to refund the Refunded Bonds in the principal amounts and maturity dates set forth below and to pay certain costs of issuing the Bonds.

Maturity Date March 1	Principal Amounts Series 2012 REF	Principal Amounts Series 2015 REF
2023	\$ 755,000	
2024	795,000	\$ 360,000
2025	825,000	455,000
2026		585,000
2027		630,000
	\$ 2,375,000	\$ 2,030,000
Redemption Date:	January 13, 2022	March 1, 2022

Escrow Agreement

The Refunded Bonds, and the interest due thereon, are to be paid on their scheduled interest payment dates until final payment or their redemption date from funds to be deposited with Regions Bank, Houston, Texas, as escrow agent (the “Escrow Agent”).

The Bond Order provides that the District and the Escrow Agent will enter into an escrow agreement (the “Escrow Agreement”) to be dated as of the date of the sale of the Bonds but effective on the date of delivery of the Bonds (expected to be January 6, 2022). The Bond Order further provides that from the proceeds of the sale of the Bonds, along with other lawfully available debt service funds of the District, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the “Escrow Fund”) and a portion of such funds will be used to purchase United States Treasury Obligations (the “Escrowed Securities”) maturing at such times and amounts as will be sufficient to pay scheduled payments on the Refunded Bonds on their redemption dates. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.” Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds or the Remaining Outstanding Bonds.

Defeasance of the Refunded Bonds

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

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds and lawfully available debt service funds will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds.....	\$4,225,000.00
Plus: Premium on the Bonds.....	395,520.10
Plus: Transfer from Debt Service Fund	17,000.00
Total Sources of Funds.....	<u>\$4,637,520.10</u>
Uses of Funds:	
Deposit to Escrow Fund.....	\$4,479,886.99
Issuance Expenses and Underwriters’ Discount (a).....	<u>157,633.11</u>
Total Uses of Funds.....	<u>\$4,637,520.10</u>

(a) Includes municipal bond insurance premium.

THE BONDS

General

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

Description

The Bonds will be dated January 1, 2022, with interest payable on September 1, 2022, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the Date of Delivery of the Bonds to the Underwriter, thereof, and thereafter, from the most recent Interest Payment Date. The Bonds mature on March 1 of the years and in the amounts shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the cover page hereof. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the Book-Entry-Only System described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

At a bond election held within the District on May 1, 1993, voters of the District authorized a total of \$19,020,000 in unlimited tax bonds for the purpose of refunding bonds of the District. The Bonds are issued by the District pursuant to said election and to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; Chapter 1207 of the Texas Government Code, as amended; and City of Houston Ordinance No. 97-416.

Source of and Security for Payment

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

Funds

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

Record Date

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

Method of Payment of Principal and Interest

The Board has appointed Regions Bank, having its principal corporate trust office and its principal payment office in Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "BOOK- ENTRY-ONLY SYSTEM."

Redemption Provisions

The Bonds are not subject to optional redemption prior to maturity.

Registration

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

Replacement of Paying Agent/Registrar

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of \$57,220,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. The District currently has \$33,295,000 unlimited tax bonds authorized but unissued for said improvements and facilities. The District's voters have also authorized a total of \$19,020,000 unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. After issuance of the Bonds, the District will have \$17,526,610.55 principal amount of unlimited tax refunding bonds authorized but unissued. The District's voters have also authorized issuance of a total of \$3,800,000 unlimited tax bonds for the purpose of acquiring or constructing recreational facilities and could authorize additional amounts. See "Financing Recreational Facilities" below.

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

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

Financing Road Facilities

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

Financing Recreational Facilities

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

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or, in the event the District meets certain conditions, 3% of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost of the plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the Commission in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per \$100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

At an election held within the District on November 2, 2004, voters of the District authorized a total of \$3,800,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities and could authorize additional amounts.

Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District may be annexed for full purposes by the City, subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City must assume the District's assets and obligations (including the Bonds and the Remaining Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and, therefore, the District makes no representation that the City will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur. Under the terms of the SPA (as hereinafter defined) between the District and the City, however, the City has agreed not to annex the District for full purposes (a traditional municipal annexation) for at least thirty (30) years from the effective date of the SPA. See "THE DISTRICT—Strategic Partnership Agreement."

Consolidation

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

Remedies in Event of Default

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world’s largest 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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global Ratings rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect 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.

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, 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. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

THE DISTRICT

General

The District is a municipal utility district created by an order of the Texas Water Commission, a predecessor to the Commission, dated July 13, 1983, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston (except as described below under “Strategic Partnership Agreement”), is subject to the continuing supervisory jurisdiction of the Commission.

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

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

Strategic Partnership Agreement

The District and the City have entered into a Strategic Partnership Agreement dated effective November 16, 2012 (the “SPA”) pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a “limited purpose annexation” for that portion of the District which is developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for “full purposes” for at least thirty (30) years from the effective date of the SPA. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater and drainage facilities must be assumed by the City to the maximum extent permitted by Commission rules. The procedures for full purpose annexation under the SPA may differ from those otherwise applicable under Chapter 43, Texas Local Government Code, including any requirements for an election. See “THE BONDS—Annexation.”

As of the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion includes primarily the 57 acres of retail and commercial development within the District. The City pays to the District an amount equal to one half (1/2) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the “Sales Tax Revenue”). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds or the Remaining Outstanding Bonds.

Description and Location

The District is located in Harris County, approximately 21 miles west - northwest of the central downtown business district of the City of Houston and contains approximately 490 acres of land. The District is located east of Fry Road, west of Barker Cypress Road and is bisected by West Little York. The District is located entirely within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Cypress-Fairbanks Independent School District.

Residential Development

Approximately 365 acres have been developed into the single-family subdivisions of Bear Creek Plantation, Sections 1 through 7, Bear Creek Meadows Sections 1 through 4 and Austinville, which collectively encompass 1,815 single family lots. As of October 15, 2021, 1,783 homes were completed and occupied in the District, 19 homes were completed and unoccupied and no developed lots were available for home construction.

Commercial Development

Approximately 57 acres in the District have been developed for commercial purposes, 40 of which have above ground improvements. Commercial improvements include a Shell Service Station, two Chevron Service Stations, a Wells Fargo Bank, a McDonald's restaurant, a Kwik Kar Lube and Car Care center, a Waffle House restaurant, one daycare center and several small shopping centers which include small restaurants, and other retail businesses.

Other Development

Jowell Elementary School has been constructed on approximately 10 acres, which is exempt from ad valorem taxation. The Cypress-Fairbanks Independent School District has constructed its Alternative Learning Center and Hoover Elementary School on approximately 26 acres, which are also exempt from ad valorem taxation.

Undeveloped Acreage

There are approximately 31 acres that are undevelopable, which includes approximately 5 acres designated as recreational sites.

MANAGEMENT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms and elections are held in May of even numbered years. All of the Board members either reside or own property within the District. The current members and officers of the Board, along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Fred Garcia	President	May 2024
Michael Gordinier	Vice President	May 2024
Anthony Landry	Secretary	May 2022
Bonnie Tyler	Asst. Secretary	May 2024
Timothy W. Robertson	Director	May 2022

District Consultants

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

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

Financial Advisor: Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon sale and delivery of the Bonds.

Special Tax Counsel: McCall, Parkhurst & Horton L.L.P. ("Special Tax Counsel") serves as special tax counsel to the District. The fee to be paid Special Tax Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audited financial statements are filed with the Commission. The financial statements of the District as of September 30, 2020, and for the year then ended, included in this offering document, have been audited by Mark C. Eyring, CPA, PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's September 30, 2020 audited financial statements. The District has engaged Mark C. Eyring, CPA, PLLC to audit its financial statements for the period ending September 30, 2021.

Engineer: The District's consulting engineer is BGE, Inc. (the "Engineer").

Bookkeeper: The District has contracted with Municipal Accounts & Consulting, L.P. (the "Bookkeeper") for bookkeeping services.

Utility System Operator: The District contracts with H2O Consulting Inc. for maintenance and operation of the District's system.

Tax Appraisal: The Harris County Appraisal District has the responsibility of appraising all property within the District. See "TAX PROCEDURES."

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Assessments of the Southwest, Inc. (the "Tax Assessor/Collector") has been engaged by the District to serve in this capacity.

THE SYSTEM

Regulation

According to the Engineer, the District's water distribution, wastewater collection, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction and operation of the System was to be accomplished in accordance with the standards and specifications and requirements of such entities and is subject to inspection by each such entity. The Commission exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the Commission and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of Harris County and, in some instances, the Commission. Harris County, the City, and the Texas Department of Health also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant which provides service to the District beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District's Engineer.

Water Distribution and Sanitary Sewer Collection and Drainage System

The System includes water, sanitary sewer and drainage facilities to serve the subdivisions, commercial tracts and other development described under the section "THE DISTRICT—Residential Development," "Commercial Development" and "Other Development."

Water Supply Facilities

Water supply for the District is provided by water plant and storage facilities jointly owned and operated by the District and Harris County Municipal Utility District No. 127 ("No. 127"). In accordance with a Restated Water and Sewer Facilities Agreement, effective February 25, 1999, between the District and No. 127, as amended on January 1, 2000, April 24, 2003, March 5, 2008 and October 11, 2021 (the "Facilities Agreement"), a water plant has been constructed in No. 127. The plant contains one 1,457 gallon per minute ("gpm") well, 1,000,000 gallons of ground storage tank capacity and 5,200 gpm of booster pump capacity. The No. 127 water plant receives surface water from the West Harris County Regional Water Authority (the "Authority").

In accordance with the Facilities Agreement, a water plant jointly owned with No. 127 has also been constructed in the District (the "No. 239 Water Plant"). The No. 239 Water Plant consists of a 1,000 gpm well, 1,000,000 gallons of ground storage tank capacity and 4,400 gpm of booster pump capacity.

According to the Engineer, the District owns capacity in existing water supply facilities sufficient to serve 2,469 equivalent single-family connections ("ESFCs") in the District.

The District and No. 127 have two emergency water supply interconnects with Harris County Municipal Utility District No. 167, two interconnects with Harris County Municipal Utility District No. 157 and one interconnect with Langham Creek Utility District.

Subsidence District Requirements

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. In 1999, the Texas legislature created the Authority to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County. The District is located within the boundaries of the Authority. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District's groundwater well(s) are included within the Authority's GRP. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in the Authority's GRP.

The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in the Authority's GRP. The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees to be paid by the District for groundwater pumped by the District or for surface water received by the District from the Authority), user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the District and a rate per 1,000 gallons based on the amount of surface water, if any, received by the District from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2035 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty of \$9.58 per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total annual water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges which may be due the Authority for future years, but anticipates the need to continue passing such fees through to its customers in higher water and sewer rates. In the event the Authority fails to reduce groundwater withdrawal to the levels specified in the Regulatory Plan by the deadlines established by the Subsidence District, then the District and others within the Authority's GRP group will be required to pay a disincentive fee on withdrawn groundwater. This fee is expected to be substantial and the District expects it would need to pass such fee through to its customers through higher water and sewer rates or utilize portions of its maintenance tax revenues. This fee would be in addition to the Authority's fee.

Wastewater Treatment

Wastewater treatment for the District is provided by a 1,335,000 gallon per day ("gpd"), average daily flow wastewater treatment plant located in No. 127, of which the District owns 2,300 ESFCs (43.08% of the total plant capacity), based on 250 gpd per ESFC, which reduced criteria has been approved by the Commission.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" or (1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rainstorm of such intensity to statistically have one percent chance of occurring in any given year. Generally, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. The District's drainage system has been designed and constructed to meet all applicable standards. See "INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey."

According to the Engineer, no land within the District lies within the 100-year flood plain designation.

PARK FACILITIES

A portion of the Previously Issued Bonds were used to finance design and construction of Old Hickory Park. The park is located on approximately 3 acres at the northeast corner of West Little York Road and Old Hickory Road. The park includes pathways, landscaping, benches, parking, shade structure, park restrooms, picnic pavilion, playgrounds, irrigation, open turf area, trash cans and a splashpad.

FINANCIAL STATEMENT

2021 Taxable Assessed Valuation..... \$384,485,238 (a)

District Debt:

Outstanding Bonds (as of November 1, 2021) \$12,695,000
 Less: The Refunded Bonds..... (4,405,000)
 Plus: The Bonds..... 4,225,000
 Gross Debt Outstanding (after issuance of the Bonds)..... \$12,515,000 (b)

Ratio of Gross Direct Debt to:

2021 Taxable Assessed Valuation 3.25%

Area of District—490 acres
 2021 Population— 6,240 (c)

- (a) The Harris County Appraisal District (the “Appraisal District”) has certified \$361,335,784 of value as of January 1, 2021. According to the Appraisal District, estimated final value with hearing loss of properties remaining uncertified totals \$23,449,454. The above total represents the certified value plus the uncertified value. See “TAX PROCEDURES.”
 (b) After the issuance of the Bonds. See “Outstanding Bonds” herein.
 (c) Based upon 3.5 persons per occupied single-family residence.

Cash and Investment Balances – unaudited (as of November 16, 2021)

Capital Projects Fund	Cash and Investments	\$863,479
Bond Fund	Cash and Investments	\$1,251,539 (a)
General Fund	Cash and Investments	\$5,467,956

- (a) Neither Texas law nor the Bond Order requires that the District maintain any particular balance in the Bond Fund. The District will contribute \$17,000 of existing debt service funds to refunding the Refunded Bonds.

District Investment Policy

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The District’s goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, 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, nor does it anticipate, the inclusion of long term securities or derivative products in the District portfolio.

Outstanding Bonds

The following table lists the original principal amount and the current principal balance of the Outstanding Bonds, the Refunded Bonds and the Remaining Outstanding Bonds.

Series	Original Principal Amount	Principal Currently Outstanding	Refunded Bonds	Remaining Outstanding Bonds
Unlimited Tax Refunding Bonds, Series 2012	\$ 4,880,000	\$ 2,590,000	\$ 2,375,000	\$ 215,000
Unlimited Tax Refunding Bonds, Series 2014	3,035,000	605,000	-	605,000
Unlimited Tax Refunding Bonds, Series 2015	4,145,000	2,695,000	2,030,000	665,000
Unlimited Tax Bonds, Series 2015A	2,030,000	2,030,000	-	2,030,000
Unlimited Tax Refunding Bonds, Series 2017	2,030,000	1,650,000	-	1,650,000
Unlimited Tax Park Bonds, Series 2019	<u>3,125,000</u>	<u>3,125,000</u>	<u>-</u>	<u>3,125,000</u>
Total	\$ 19,245,000	\$ 12,695,000	\$ 4,405,000	\$ 8,290,000
The Bonds				<u>4,225,000</u>
The Bonds and the Remaining Outstanding Bonds				\$ 12,515,000

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds, plus the debt service on the Bonds (\$4,225,000 principal amount).

Year	Outstanding Bonds Debt Service Requirements	Less: Debt Service on the Refunded Bonds	Plus: Debt Service on the Bonds			Total Debt Service Requirements
			Principal	Interest	Total	
2022	\$ 1,640,117	\$ 162,063		\$ 110,319	\$ 110,319	\$ 1,588,374
2023	1,543,151	901,963	\$ 715,000	154,700	869,700	1,510,889
2024	1,560,369	1,267,738	1,115,000	118,100	1,233,100	1,525,732
2025	1,591,723	1,351,106	1,245,000	70,900	1,315,900	1,556,517
2026	1,260,877	621,900	555,000	34,900	589,900	1,228,877
2027	1,279,581	642,600	595,000	11,900	606,900	1,243,881
2028	896,534	-	-	-	-	896,534
2029	897,521	-	-	-	-	897,521
2030	473,075	-	-	-	-	473,075
2031	468,375	-	-	-	-	468,375
2032	463,525	-	-	-	-	463,525
2033	463,359	-	-	-	-	463,359
2034	462,209	-	-	-	-	462,209
2035	460,056	-	-	-	-	460,056
2036	452,563	-	-	-	-	452,563
2037	449,600	-	-	-	-	449,600
2038	446,075	-	-	-	-	446,075
2039	447,113	-	-	-	-	447,113
Total	\$ 15,255,822	\$ 4,947,369	\$ 4,225,000	\$ 500,819	\$ 4,725,819	\$ 15,034,273

Maximum Annual Debt Service Requirement (2022).....\$1,588,374
Average Annual Debt Service Requirements (2022-2039)\$835,237

WATER AND SEWER OPERATIONS

General

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. However, net revenues, if any, derived from operation of the District's water and sewer operations are not pledged to the payment of the Bonds and the Remaining Outstanding Bonds but are available for any lawful purpose including the payment of debt service on the Bonds and the Remaining Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds or the Remaining Outstanding Bonds.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ended September 30, 2017 through 2020 and an unaudited summary from the District's bookkeeper for the period ended September 30, 2021. Reference is made to such records and financial statements for further and more complete information.

	10/1/2020 thru 9/30/2021 (a)	Fiscal Year Ended September 30			
		2020	2019	2018	2017
Revenues					
Property Taxes	\$ 638,575	\$ 656,146	\$ 617,446	\$ 541,198	\$ 505,126
Water Service	433,924	430,657	429,745	462,849	462,290
Sewer Service	707,920	700,090	694,467	686,688	688,799
Surface Water Fees	529,306	545,105	495,059	484,976	418,198
Penalty and Interest	58,340	28,523	84,160	83,406	87,639
Tap Connection and Inspection Fees	21,710	-	-	-	13,975
Security Service	195,320	193,280	193,290	193,693	193,633
Sales and Use Taxes	83,838	71,194	64,052	64,066	56,263
Investment Revenues	33,540	93,062	116,401	54,224	28,145
Miscellaneous	30,402	31,741	30,150	32,754	28,108
Total Revenues	\$ 2,732,875	\$ 2,749,798	\$ 2,724,770	\$ 2,603,854	\$ 2,482,176
Expenditures					
Purchased Services	\$ 1,227,315	\$ 1,112,295	\$ 908,059	\$ 912,456	\$ 891,258
Professional Fees	183,517	132,197	148,384	122,612	110,653
Contracted Services	232,612	100,847	93,506	78,572	77,087
Repairs and Maintenance	392,426	387,615	375,899	338,390	322,132
Security Service	294,447	284,563	276,660	273,304	268,694
Garbage Disposal	301,742	292,658	284,037	277,990	272,530
Administrative Expenditures	125,919	82,969	82,593	89,657	73,489
Capital Outlay	184,651	48,436	14,962	511,857	12,797
Debt Service, debt issuance costs	-	-	-	-	-
Total Expenditures	\$ 2,942,628	\$ 2,441,580	\$ 2,184,100	\$ 2,604,838	\$ 2,028,640
Revenues Over (Under) Expenditures	\$ (209,753)	\$ 308,218	\$ 540,670	\$ (984)	\$ 453,536
Other Sources (Interfund Transfer)	\$ 52,790	\$ -	\$ -	\$ -	\$ -
Fund Balance (Beginning of Year)	\$ 5,914,295	\$ 5,606,077	\$ 5,065,407	\$ 5,066,391	\$ 4,612,855
Fund Balance (End of Year)	\$ 5,757,333	\$ 5,914,295	\$ 5,606,077	\$ 5,065,407	\$ 5,066,391

(a) Unaudited. Provided by the District's bookkeeper.

ESTIMATED OVERLAPPING DEBT STATEMENT

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 of Texas or other publicly 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 purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Harris County.....	\$ 1,723,192,125	9/30/2021	0.07%	\$ 1,213,963
Harris County Flood Control District.....	590,725,000	9/30/2021	0.07%	425,012
Harris County Department of Education.....	20,185,000	9/30/2021	0.07%	14,084
Harris County Hospital District.....	81,540,000	9/30/2021	0.07%	58,553
Port of Houston Authority.....	492,439,397	9/30/2021	0.07%	356,305
Cypress Fairbanks Independent School District..	3,104,330,000	9/30/2021	0.61%	18,936,413
Lone Star College District.....	610,225,000	9/30/2021	0.16%	976,360
Total Estimated Overlapping Debt.....				\$ 21,980,690
The District.....	12,515,000 (a)	Current	100.00%	12,515,000
Total Direct and Estimated Overlapping Debt.....				\$ 34,495,690
Ratio of Estimated Direct and Overlapping Debt to 2021 Taxable Assessed Valuation.....				8.96%

(a) Includes the Bonds and the Remaining Outstanding Bonds.

Overlapping Taxes

	2021 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority.....	\$ 0.586340
Cypress Fairbanks Independent School District.....	1.339200
Harris County ESD No. 9.....	0.057628
Lone Star College System.....	<u>0.107800</u>
Total Overlapping Tax Rate.....	\$ 2.090968
The District.....	<u>0.580000</u>
Total Tax Rate.....	\$ 2.670968

TAX DATA

Historical Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to such records for further and more complete information.

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of October 31, 2021 (a)	
				Amount	Percent
2016	\$ 281,720,363	\$ 0.67	\$ 1,877,526	\$ 1,873,848	99.80%
2017	298,223,072	0.64	1,908,628	1,903,295	99.72%
2018	310,509,389	0.64	1,987,260	1,976,245	99.45%
2019	333,787,361	0.63	2,102,860	2,087,569	99.27%
2020	356,057,871	0.60	2,136,347	2,114,549	98.98%
2021	361,335,784	0.58	2,095,748	(b)	(b)

(a) Unaudited.

(b) In the process of collections. 2021 taxes are due by January 31, 2022.

Tax Rate Distribution

	2021	2020	2019	2018	2017
Debt Service	\$0.390	\$0.420	\$0.430	\$ 0.440	\$ 0.460
Maintenance and Operations	0.190	0.180	0.200	0.200	0.180
Total	\$0.580	\$0.600	\$0.630	\$ 0.640	\$ 0.640

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).

Maintenance: \$0.50 per \$100 Assessed Valuation (water, sanitary sewer and drainage facilities)
\$0.10 per \$100 Assessed Valuation (recreational facilities)

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See "Tax Rate Distribution" and "Tax Roll Information" herein and "TAX PROCEDURES."

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. On October 15, 1983, voters in the District authorized the Board to levy such a maintenance tax in an amount not to exceed \$0.50 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 additional unlimited tax bonds which may be issued in the future. The District levied a maintenance tax for 2021 in the amount of \$0.19 per \$100 assessed valuation. At an election held on November 2, 2004 voters in the District authorized the Board to levy a maintenance tax in an amount not to exceed \$0.10 per \$100 assessed valuation specifically to maintain recreational facilities. The District has not yet levied a tax specifically for the maintenance of recreational facilities.

Tax Roll Information

The following breakdown of the 2017 through 2021 Taxable Assessed Valuations has been provided by the District’s Tax Assessor/Collector based on information contained in the 2017 through 2021 certified tax rolls of the District. Differences in values from other information herein are due to differences in dates of information provided. A breakdown of the uncertified portion (\$23,449,454) of the 2021 Taxable Assessed Valuation is not available.

	2021 Taxable Assessed Valuation	2020 Taxable Assessed Valuation	2019 Taxable Assessed Valuation	2018 Taxable Assessed Valuation	2017 Taxable Assessed Valuation
Land	\$ 91,783,899	\$ 83,491,245	\$ 56,875,551	\$ 56,557,943	\$ 55,831,047
Improvements	283,509,345	285,267,773	294,647,671	270,706,701	265,066,986
Personal Property	6,627,712	7,415,560	6,428,294	5,899,547	6,191,562
Exemptions	(20,585,172)	(20,116,707)	(24,164,155)	(22,654,802)	(28,866,523)
Total Certified	\$ 361,335,784	\$ 356,057,871	\$ 333,787,361	\$ 310,509,389	\$ 298,223,072
Uncertified Value	23,449,454	-	-	-	-
Total	\$ 384,785,238	\$ 356,057,871	\$ 333,787,361	\$ 310,509,389	\$ 298,223,072

Principal Taxpayers

The following list of principal taxpayers was provided by the District’s Tax Assessor/Collector based upon the certified portion (\$361,335,784) of the 2021 Taxable Assessed Valuation, which reflects ownership at January 1, 2021. A principal taxpayer list related to the uncertified portion (\$23,449,454) of the 2021 Taxable Assessed Valuation is not available.

Taxpayer	Type of Property	2021 Certified Taxable Assessed Valuation	% of 2021 Certified Taxable Assessed Valuation
Citadel Asset Holdings LLC	Commercial	\$ 5,147,255	1.42%
WLY Properties LLC	Commercial	3,992,937	1.11%
Venmar Properties LLC	Commercial	2,940,195	0.81%
HAM Main Plaza LLC	Commercial	2,635,271	0.73%
L5 Business Advisors LLC	Commercial	2,331,463	0.65%
STDB Investments Ltd.	Commercial	1,714,974	0.47%
GC Fry/York LP	Commercial	1,659,914	0.46%
Jun Choung LLC	Commercial	1,576,560	0.44%
L&D Property Inc.	Commercial	1,571,621	0.43%
Centerpoint Energy Electric Houston	Utilities	1,570,070	0.43%
Total		\$ 25,140,260	6.96%

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2021 Taxable Assessed Valuation and no use of debt service funds on hand, collection of ninety-five percent (95%) of taxes levied, and utilize tax rates necessary to pay the District’s maximum annual and average annual debt service requirements. See “DEBT SERVICE REQUIREMENTS.”

Average Annual Debt Service Requirement (2022-2039).....	\$835,237
\$0.23 Tax Rate on the 2021 Taxable Assessed Valuation	\$840,756
Maximum Annual Debt Service Requirement (2022).....	\$1,588,374
\$0.44 Tax Rate on the 2021 Taxable Assessed Valuation	\$1,608,402

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District’s preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2021 tax year, the District has granted an exemption of \$10,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran’s residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces or a first responder (as defined under Texas law) who was (i) killed in action, or (ii) fatally injured in the line of duty, is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A “Freeport Exemption” applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A “Goods-in-Transit” Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer’s motor vehicles, dealer’s vessel and outboard motor vehicle, dealer’s heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is

subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption on the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

General Residential Homestead Exemption

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

Valuation of Property for Taxation

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

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

District and Taxpayer Remedies

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

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

Agricultural, Open Space, Timberland and Inventory Deferment

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

Tax Abatement

The City of Houston and Harris County may designate all or part of the District as a reinvestment zone, and the District, Harris County and (if it were to annex the area) the City of Houston may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified herein as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate.

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

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

Developing Districts: Districts that do not meet the classification of a Low Tax Rate District or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding 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 Low Tax Rate District, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

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

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Harris County, the City of Houston, or any other political entity other than the District, will be secured by an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or, in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

Infectious Disease Outlook (COVID-19)

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

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment.” The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

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

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Extreme Weather Events; Hurricane Harvey

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

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the Operator, there was no interruption of water and sewer service as a result of Hurricane Harvey. According to the Engineer, the District’s system did not sustain any material damage from Hurricane Harvey. To the knowledge of the District, no homes or other improvements within the District experienced structural flooding as a result of Hurricane Harvey.

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

Specific Flood Type Risks

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

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

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2021 Taxable Assessed Valuation of the District (see "FINANCIAL STATEMENT") is \$384,485,238 (\$361,335,784 certified plus \$23,449,454 uncertified). After issuance of the Bonds, the maximum annual debt service requirement will be \$1,588,374 (2022) and the average annual debt service requirement will be \$835,237 (2022-2039). Assuming no increase or decrease from the 2021 Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$0.44 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$1,588,374 and a tax rate of \$0.23 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$835,237 (see "DEBT SERVICE REQUIREMENTS"). Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Remaining Outstanding Bonds based upon the 2021 Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event major taxpayers do not pay their District taxes timely. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

Future Debt

The District reserves in the Bond Order the right to issue the \$17,526,610.55 principal amount of authorized but unissued unlimited tax bonds for the purpose of refunding the outstanding bonds of the District, the \$675,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of financing and constructing recreational facilities, and the \$33,295,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The District's voters may authorize additional bonds. See "THE BONDS—Issuance of Additional Debt," "Financing Road Facilities," and "Financing Recreational Facilities." The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board and any bonds issued to acquire or construct water, sewer and drainage facilities or recreational facilities must be approved by the Commission. The Engineer has stated that the District's authorized but unissued bonds will be adequate to complete the development of the District.

In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

Environmental Regulations

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

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

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “Commission”) 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 is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required 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. Costs associated with these compliance activities could be substantial in the future.

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 EPA published the NWPR in the Federal Register on April 21, 2020. The NWPR became effective on June 22, 2020 and is currently the subject of ongoing litigation.

In June and July of 2021, the EPA and USACE announced plans to further revise the definition of “waters of the United States.” On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. In light of this order, the EPA and the USACE announced that they have halted implementation of the NWPR and are interpreting “waters of the United States” consistent with the pre-2015 regulatory regime until further notice while continuing to move forward with the rulemakings announced in June of 2021. Due to existing and possible future litigation and regulatory action, 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.

Tax Collections Limitations

The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedure against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. 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, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes 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 other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See “TAX PROCEDURES—District’s Rights in the Event of Tax Delinquencies.”

Registered Owners’ Remedies and Bankruptcy Limitations

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

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946 (“Chapter 9”). The filing of such petition would automatically stay the enforcement of Registered Owner’s remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such 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, the 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 Owner could potentially and adversely impair the value of the Registered Owner's claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its 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 the collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

The District may not be placed into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has entered into an agreement with Build America Mutual Assurance Company ("BAM" or the "Insurer") for the purchase of a municipal bond insurance policy (the "Policy"). At the time of entering into the agreement, the Insurer was rated "AA" (stable outlook) by S&P. See "MUNICIPAL BOND INSURANCE."

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

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

Neither the District nor the Underwriter has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment.

Marketability

The District has no agreement with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over 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 of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are generally bought, sold or traded in the secondary market.

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign a 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 Build America Mutual Assurance Company. S&P has also assigned an underlying rating of "A-" to the Bonds. An explanation of the ratings may be obtained from S&P.

There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P if, in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL BOND INSURANCE

Municipal 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 APPENDIX B 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 September 30, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$504.3 million, \$181.5 million and \$322.8 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 “MUNICIPAL 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.

LEGAL MATTERS

Legal Opinions

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

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

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel and Special Tax Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas.

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

Legal Review

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

TAX MATTERS

Opinion

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

In rendering its opinion, Special Tax Counsel will rely upon (a) the opinion of Bond Counsel, that the Bonds are valid and binding obligations of the District payable from the proceeds of a generally-applicable ad valorem tax, (b) the District’s federal tax certificate and the verification report prepared by Robert Thomas, CPA, LLC and (c) covenants of the District with respect to arbitrage compliance, the application of the proceeds to be received from the issuance and sale of the Bonds and the Refunded Bonds. Failure by the District to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

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

Collateral Federal Income Tax Consequences

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

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

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS. Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

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

VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash, if any, and the maturing amounts of principal and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and any related call premium requirements of the Refunded Bonds; (b) the mathematical computations of yield; and (c) compliance with City of Houston Ordinance No. 97-416.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District’s retained advisors, consultants or legal counsel.

NO MATERIAL ADVERSE CHANGE

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

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Underwriter a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District’s certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the District’s records, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources believed to be reliable. No guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and the inclusion herein of information from sources other than the District is not to be construed as a representation on the part of the District to such effect, except as described below under “CERTIFICATION OF OFFICIAL STATEMENT.” Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information 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.

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources: “THE DISTRICT” and “THE SYSTEM”—BGE, Inc., “THE BONDS” and “LEGAL MATTERS—Legal Opinions” (insofar as such section relates to the legal opinion of Bond Counsel and Special Tax Counsel)—Schwartz, Page & Harding, L.L.P. and McCall, Parkhurst & Horton L.L.P., as applicable; “TAX MATTERS”—McCall, Parkhurst & Horton L.L.P.; “FINANCIAL STATEMENT” and “TAX DATA”—Harris County Appraisal District, Assessments of the Southwest and the Municipal Advisory Council.

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

Underwriter

The Underwriter has provided the following sentence for inclusion in this Official Statement. 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 Underwriter does not guarantee the accuracy or completeness of such information.

Consultants

In approving this Official Statement, the District has relied upon the following consultants. Each consultant has agreed to the use of information provided by such firms.

Engineer: The information contained in this Official Statement relating to engineering and to the description of the system and, in particular that information included in the sections entitled “THE DISTRICT” and “THE SYSTEM” has been provided by BGE, Inc., Consulting Engineers, and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this Official Statement relating to the Assessed Valuations of the District has been provided by the Harris County Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Harris County, including the District.

Tax Assessor/Collector: The information contained in this Official Statement relating to the breakdown of the District’s historical assessed value and principal taxpayers, including particularly such information contained in the section entitled “TAX DATA” has been provided by Assessments of the Southwest, Inc. and is included herein in reliance upon the authority of such individual as an expert in assessing property values and collecting taxes.

Auditor: The financial statements of the District as of September 30, 2020, and for the year then ended, include in this offering document, have been audited by Mark C. Eyring, CPA, PLLC, independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District’s September 30, 2020 audited financial statements.

Bookkeeper: The information related to the unaudited summary of the District’s General Operating Fund as it appears in “WATER AND SEWER OPERATIONS” has been provided by Municipal Accounts & Consulting L.P., and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

UPDATING THE OFFICIAL STATEMENT

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District’s obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

CERTIFICATION OF OFFICIAL STATEMENT

The District, acting through its Board in its official capacity and reliance upon the experts listed above, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement 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 are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “FINANCIAL STATEMENT,” “TAX DATA,” “THE SYSTEM,” “DEBT SERVICE REQUIREMENTS” (most of which information is contained in the District’s audited financial statements) and in Appendix A (District Audited Financial Statements and Certain Supplemental Schedules). The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2021.

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

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

Material Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “financial obligation” and “material” when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from the MSRB

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement 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 operations of the District, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as changed circumstances, and either the Holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as a nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of SEC Rule 15c2-12 or a court of final jurisdiction determines that such provisions are invalid but in either case, only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with its continuing disclosure undertakings, with the exception of a failure to timely file a change in the rating of the municipal bond insurance company insuring its Series 2004 and 2005 Bonds. The District has filed such rating upgrade and has established procedures to monitor and report rating changes in the future.

MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the Appendix hereto 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.

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 239 as of the date shown on the cover page.

/s/ Fred Garcia
President, Board of Directors

ATTEST:

/s/ Anthony Landry
Secretary, Board of Directors

APPENDIX A

**Independent Auditor's Report and Financial Statements of the District
for the year ended September 30, 2020**

HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 239
HARRIS COUNTY, TEXAS
ANNUAL AUDIT REPORT
SEPTEMBER 30, 2020

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Mark C. Eyring, CPA, PLLC

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December 15, 2020

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 239
Harris County, Texas

I have audited the accompanying financial statements of the governmental activities and each fund of Harris County Municipal Utility District No. 239, as of and for the year ended September 30, 2020, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Harris County Municipal Utility District No. 239 as of September 30, 2020, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 7 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 21 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 22 to 42 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

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

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Harris County Municipal Utility District No. 239 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2020.

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

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

Financial Analysis of the District as a Whole

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

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

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

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

Summary of Net Position

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Current and other assets	\$ 9,412,088	\$ 11,536,207	\$ (2,124,119)
Capital assets	9,901,367	7,797,657	2,103,710
Total assets	<u>19,313,455</u>	<u>19,333,864</u>	<u>(20,409)</u>
Long-term liabilities	12,689,119	13,885,936	(1,196,817)
Other liabilities	<u>2,049,424</u>	<u>1,725,147</u>	<u>324,277</u>
Total liabilities	<u>14,738,543</u>	<u>15,611,083</u>	<u>(872,540)</u>
Net position:			
Invested in capital assets, net of related debt	(3,984,569)	(7,250,042)	3,265,473
Restricted	2,620,918	5,349,691	(2,728,773)
Unrestricted	<u>5,938,563</u>	<u>5,623,132</u>	<u>315,431</u>
Total net position	<u>\$ 4,574,912</u>	<u>\$ 3,722,781</u>	<u>\$ 852,131</u>

Summary of Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 2,119,146	\$ 2,019,470	\$ 99,676
Charges for services	1,929,396	1,926,871	2,525
Other revenues	<u>236,834</u>	<u>265,715</u>	<u>(28,881)</u>
Total revenues	<u>4,285,376</u>	<u>4,212,056</u>	<u>73,320</u>
Expenses:			
Service operations	2,949,149	2,624,995	324,154
Debt service	<u>484,096</u>	<u>634,350</u>	<u>(150,254)</u>
Total expenses	<u>3,433,245</u>	<u>3,259,345</u>	<u>173,900</u>
Change in net position	852,131	952,711	(100,580)
Net position, beginning of year	<u>3,722,781</u>	<u>2,770,070</u>	<u>952,711</u>
Net position, end of year	<u>\$ 4,574,912</u>	<u>\$ 3,722,781</u>	<u>\$ 852,131</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended September 30, 2020, were \$8,462,075, a decrease of \$2,451,064 from the prior year.

The General Fund balance increased by \$308,218, in accordance with the District's financial plan.

The Debt Service Fund balance decreased by \$237,638, in accordance with the District's financial plan.

The Capital Projects Fund balance decreased by \$2,521,644, as authorized expenditures exceeded interest earnings.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 21 of this report. The budgetary fund balance as of September 30, 2020, was expected to be \$5,937,877 and the actual end of year fund balance was \$5,914,295.

Capital Asset and Debt Administration

Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Land	\$ 1,286,245	\$ 1,286,245	\$ 0
Construction in progress	4,599	275,287	(270,688)
Park and recreational facilities	2,692,379	226,517	2,465,862
Water facilities	2,247,395	2,159,812	87,583
Sewer facilities	3,670,749	3,849,796	(179,047)
Totals	<u>\$ 9,901,367</u>	<u>\$ 7,797,657</u>	<u>\$ 2,103,710</u>

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

Additions:

Park improvements	\$ 2,434,761
Joint water plant improvements	118,845
Joint wastewater treatment plant improvements	<u>53,035</u>
Total additions to capital assets	2,606,641

Decreases:

Depreciation	<u>(502,931)</u>
Net change to capital assets	<u>\$ 2,103,710</u>

Debt

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

Bonded debt payable, beginning of year	\$ 15,085,000
Bonds paid	<u>(1,180,000)</u>
Bonded debt payable, end of year	<u>\$ 13,905,000</u>

At September 30, 2020, the District had \$33,295,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District and \$675,000 for recreational facilities.

The District has an underlying rating of A- by Standard & Poor's. The Series 2012 and 2015A bonds are insured by Assured Guaranty Municipal Corp. The Series 2014, 2015 and 2019 bonds are insured by Build America Mutual Assurance Company. The Series 2017 bonds are not insured or rated. The insured rating of the Series 2012, 2014, 2015, 2015A and 2019 bonds is AA by Standard & Poor's. The District's underlying rating was upgraded during the fiscal year ended September 30, 2020.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$24,355,000 for the 2019 tax year (approximately 8%), primarily due to the increase in the average valuation on taxable property within the district.

Relationship to the City of Houston

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

Utilizing a provision of Texas law, the City of Houston ("City") and the District entered into a Strategic Partnership Agreement ("SPA") effective as of November 16, 2012. The SPA provides for the limited purpose annexation of certain developed commercial tracts within the District by the City. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City, and the City provides only limited services (primarily police). Additional properties may become subject to the SPA by amending the SPA upon the consent of the City and the District. The SPA provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated from the properties subject to the SPA and received by the City from the Comptroller of Public Accounts of the State of Texas. The term of the SPA is 30 years. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

Water Supply Issues

The District is within the Harris-Galveston Subsidence District (the "Subsidence District") Regulatory Area No. 3. The Subsidence District regulates the withdrawal of groundwater within its jurisdiction. The District's authority to pump ground water 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.

In May, 2001, the Texas Legislature created the West Harris County Regional Water Authority (the "Authority") and included the District within the boundaries of the Authority. The Authority was created to provide a regional entity to build the necessary facilities to meet the subsidence District's requirements for conversion from ground water to surface water of all permit holders within its boundaries, including the District. Accordingly, the District is required to pay groundwater reduction plan fees to the Authority, and in turn is entitled to rely upon the Authority's GRP to achieve compliance with the subsidence District's requirements. In accordance with the GRP, the Authority has negotiated a water supply contract with the City of Houston and has issued revenue bonds to finance the surface water supply system. The Authority may establish such fees, charges, or tolls as necessary to accomplish its purposes. The Authority's ground water pumpage fee was equal to \$3.20 as of September 30, 2020, and is expected to increase in the future. The Authority's surface water usage fee was equal to \$3.60 as of September 30, 2020, and is expected to increase in the future.

The District cannot predict the amount or level of fees and charges which may be due the Authority for future years, but anticipates that it will pass such fees through to its customers in higher water rates. In addition, conversion to surface water will necessitate improvements to the District's water supply system, which could require issuance of additional bonds. In the event the Authority fails to commence construction of surface water infrastructure by the deadline established by the Subsidence District, the District and others within the Authority's GRP group could be required to pay the disincentive fee on withdrawn groundwater. This disincentive fee is substantial, and the District expects it would need to pass such fee through to its customers in higher water rates. This disincentive fee would be in addition to the Authority's fee.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

SEPTEMBER 30, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 200,534	\$ 34,426	\$ 100	\$ 235,060	\$	\$ 235,060
Certificates of deposit, at cost, Note 7	2,640,000	1,200,000		3,840,000		3,840,000
Temporary investments, at cost, Note 7	3,151,562	214,642	1,281,172	4,647,376		4,647,376
Receivables:						
Property taxes	24,268	68,469		92,737		92,737
Accrued penalty and interest on property taxes				0	40,724	40,724
Service accounts	222,063			222,063		222,063
Accrued interest	14,390	11,506		25,896		25,896
Sales and Use Taxes, Note 11	20,099			20,099		20,099
Maintenance taxes collected not yet transferred from other fund	1,052			1,052	(1,052)	0
Due from Regional Authority, Note 10	138,506			138,506		138,506
Prepaid expenditures	48,368			48,368		48,368
Operating reserves at joint facilities, Note 9	84,259			84,259		84,259
Groundwater bank certificates, at cost, Note 12	17,000			17,000		17,000
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	1,290,844	1,290,844
Depreciable capital assets				0	8,610,523	8,610,523
Total assets	<u>\$6,562,101</u>	<u>\$1,529,043</u>	<u>\$1,281,272</u>	<u>\$ 9,372,416</u>	<u>9,941,039</u>	<u>19,313,455</u>
LIABILITIES						
Accounts payable	\$ 280,045	\$ 20	\$ 24,524	\$ 304,589		304,589
Construction contracts payable			168,470	168,470		168,470
Accrued interest payable				0	36,055	36,055
Customer and builder deposits	273,762			273,762		273,762
Maintenance taxes collected not yet transferred to other fund		1,052		1,052	(1,052)	0
Due to other district, Note 10	69,731			69,731		69,731
Long-term liabilities, Note 5:						
Due within one year				0	1,196,817	1,196,817
Due in more than one year				0	12,689,119	12,689,119
Total liabilities	<u>623,538</u>	<u>1,072</u>	<u>192,994</u>	<u>817,604</u>	<u>13,920,939</u>	<u>14,738,543</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>24,268</u>	<u>68,469</u>	<u>0</u>	<u>92,737</u>	<u>(92,737)</u>	<u>0</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Nonspendable:						
Operating reserve at joint facilities, Note 9	84,259			84,259	(84,259)	0
Groundwater bank certificates, Note 12	17,000			17,000	(17,000)	0
Assigned to:						
Debt service		1,459,502		1,459,502	(1,459,502)	0
Capital projects			1,088,278	1,088,278	(1,088,278)	0
Unassigned	<u>5,813,036</u>			<u>5,813,036</u>	<u>(5,813,036)</u>	<u>0</u>
Total fund balances	<u>5,914,295</u>	<u>1,459,502</u>	<u>1,088,278</u>	<u>8,462,075</u>	<u>(8,462,075)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$6,562,101</u>	<u>\$1,529,043</u>	<u>\$1,281,272</u>	<u>\$ 9,372,416</u>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(3,984,569)	(3,984,569)
Restricted for debt service					1,532,640	1,532,640
Restricted for capital projects					1,088,278	1,088,278
Unrestricted					<u>5,938,563</u>	<u>5,938,563</u>
Total net position					<u>\$ 4,574,912</u>	<u>\$ 4,574,912</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 656,146	\$ 1,409,444	\$	\$ 2,065,590	\$ 22,709	\$ 2,088,299
Water service	430,657			430,657		430,657
Sewer service	700,090			700,090		700,090
Surface water fees, Note 10	545,105			545,105		545,105
Penalty and interest	28,523	20,883		49,406	9,964	59,370
Security service	193,280			193,280		193,280
Sales and Use Taxes, Note 11	71,194			71,194		71,194
Interest on deposits and investments	93,062	34,125	38,453	165,640		165,640
Other	31,741			31,741		31,741
Total revenues	2,749,798	1,464,452	38,453	4,252,703	32,673	4,285,376
EXPENDITURES / EXPENSES						
Service operations:						
Purchased services, Note 9	1,112,295			1,112,295		1,112,295
Professional fees	132,197	6,540		138,737		138,737
Contracted services	100,847	43,471	883	145,201		145,201
Repairs, maintenance and other operating expenditures	387,615			387,615		387,615
Security service	284,563			284,563		284,563
Garbage disposal	292,658			292,658		292,658
Administrative expenditures	82,969	2,180		85,149		85,149
Depreciation				0	502,931	502,931
Capital outlay / non-capital outlay	48,436		2,558,205	2,606,641	(2,606,641)	0
Debt service:						
Principal retirement		1,180,000		1,180,000	(1,180,000)	0
Bond issuance expenditures			1,009	1,009		1,009
Interest and fees		469,899		469,899	13,188	483,087
Total expenditures / expenses	2,441,580	1,702,090	2,560,097	6,703,767	(3,270,522)	3,433,245
Excess (deficiency) of revenues over expenditures	308,218	(237,638)	(2,521,644)	(2,451,064)	3,303,195	852,131
Net change in fund balances / net position	308,218	(237,638)	(2,521,644)	(2,451,064)	3,303,195	852,131
Beginning of year	5,606,077	1,697,140	3,609,922	10,913,139	(7,190,358)	3,722,781
End of year	\$ 5,914,295	\$ 1,459,502	\$ 1,088,278	\$ 8,462,075	\$ (3,887,163)	\$ 4,574,912

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239NOTES TO THE FINANCIAL STATEMENTSSEPTEMBER 30, 2020

NOTE 1: REPORTING ENTITY

Harris County Municipal Utility District No. 239 (the "District") was created by an order of the Texas Water Commission (now the Texas Commission on Environmental Quality) effective July 13, 1983, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

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

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

As further described in Note 9, the District is a participant in the Harris County Municipal Utility Districts No. 127 and No. 239 Joint Water and Sewer Facilities (the "Facilities"). Oversight of the Facilities is exercised jointly by the Boards of Directors of Harris County Municipal Utility Districts No. 127 and No. 239. Accordingly, activities of the Facilities have not been reported in the financial statements of the District. Based upon the application of the criteria described in the preceding paragraph, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

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

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

Interfund Activity

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

Receivables

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

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

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 8,462,075
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		9,901,367
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (13,905,000)	
Deferred charge on refunding (to be amortized as interest expense)	130,017	
Issuance discount (premium) (to be amortized as interest expense)	<u>(110,953)</u>	(13,885,936)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	40,724	
Uncollected property taxes	<u>92,737</u>	133,461
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(36,055)</u>
Net position, end of year		<u>\$ 4,574,912</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Total net change in fund balances		\$ (2,451,064)
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay	\$ 2,606,641	
Depreciation	<u>(502,931)</u>	2,103,710
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Principal reduction		1,180,000
<p>The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>		
Refunding charges	(32,584)	
Issuance discount	<u>14,347</u>	(18,237)
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Accrued penalty and interest on property taxes receivable	9,964	
Uncollected property taxes	<u>22,709</u>	32,673
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:</p>		
Accrued interest		<u>5,049</u>
Change in net position		<u>\$ 852,131</u>

NOTE 4: CAPITAL ASSETS

At September 30, 2020, "Invested in capital assets, net of related debt" was \$(3,984,569). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$5,000 (see Note 2) and some authorized expenditures were not for capital assets. Each participant records its share of the capital assets of the Facilities in its financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,286,245	\$	\$	\$ 1,286,245
Construction in progress	<u>275,287</u>	<u>2,507,518</u>	<u>2,778,206</u>	<u>4,599</u>
Total capital assets not being depreciated	<u>1,561,532</u>	<u>2,507,518</u>	<u>2,778,206</u>	<u>1,290,844</u>
Depreciable capital assets:				
Park system	238,439	2,588,928		2,827,367
Water system	4,798,086	239,965		5,038,051
Sewer system	<u>7,668,640</u>	<u>48,436</u>		<u>7,717,076</u>
Total depreciable capital assets	<u>12,705,165</u>	<u>2,877,329</u>	<u>0</u>	<u>15,582,494</u>
Less accumulated depreciation for:				
Park system	(11,922)	(123,066)		(134,988)
Water system	(2,638,274)	(152,382)		(2,790,656)
Sewer system	<u>(3,818,844)</u>	<u>(227,483)</u>		<u>(4,046,327)</u>
Total accumulated depreciation	<u>(6,469,040)</u>	<u>(502,931)</u>	<u>0</u>	<u>(6,971,971)</u>
Total depreciable capital assets, net	<u>6,236,125</u>	<u>2,374,398</u>	<u>0</u>	<u>8,610,523</u>
Total capital assets, net	<u>\$ 7,797,657</u>	<u>\$ 4,881,916</u>	<u>\$ 2,778,206</u>	<u>\$ 9,901,367</u>
Changes to capital assets:				
Capital outlay		\$ 2,606,641	\$	
Assets transferred to depreciable assets		2,778,206	2,778,206	
Less depreciation expense for the fiscal year		<u>(502,931)</u>		
Net increases / decreases to capital assets		<u>\$ 4,881,916</u>	<u>\$ 2,778,206</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 15,085,000	\$	\$ 1,180,000	\$ 13,905,000	\$ 1,210,000
Deferred amounts:					
For issuance (discounts) premiums	125,300		14,347	110,953	16,920
For deferred refunding charges	<u>(162,601)</u>		<u>(32,584)</u>	<u>(130,017)</u>	<u>(30,103)</u>
Total bonds payable	<u>15,047,699</u>	<u>0</u>	<u>1,161,763</u>	<u>13,885,936</u>	<u>1,196,817</u>
Total long-term liabilities	<u>\$ 15,047,699</u>	<u>\$ 0</u>	<u>\$ 1,161,763</u>	<u>\$ 13,885,936</u>	<u>\$ 1,196,817</u>

Developer Construction Commitments and Liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Fiscal Year	Principal	Interest	Total
2021	\$ 1,210,000	\$ 418,517	\$ 1,628,517
2022	1,260,000	380,118	1,640,118
2023	1,205,000	338,151	1,543,151
2024	1,265,000	295,369	1,560,369
2025	1,340,000	251,724	1,591,724
2026 - 2030	4,035,000	772,586	4,807,586
2031 - 2035	1,905,000	412,525	2,317,525
2036 - 2039	<u>1,685,000</u>	<u>110,345</u>	<u>1,795,345</u>
	<u>\$ 13,905,000</u>	<u>\$ 2,979,335</u>	<u>\$ 16,884,335</u>

Bonds voted	\$ 57,220,000
Bonds approved for sale and sold	23,925,000
Bonds voted and not issued	33,295,000
Refunding bonds voted	19,020,000.00
Refunding bonds sold	1,378,389.45
Refunding bonds voted and not issued	17,641,610.55
Recreational improvements bonds voted	3,800,000
Recreational improvements bonds approved for sale and sold	3,125,000
Recreational improvements bonds voted and not issued	675,000

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

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

	Refunding Series 2012	Refunding Series 2014	Refunding Series 2015
Amounts outstanding, September 30, 2020	\$2,790,000	\$1,190,000	\$3,005,000
Interest rates	3.00% to 4.00%	3.00%	3.00% to 4.00%
Maturity dates, serially beginning/ending	March 1, 2021/2025	March 1, 2021/2022	March 1, 2021/2027
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	March 1, 2021*	Not Callable	March 1, 2022*

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Series 2015A</u>	<u>Refunding Series 2017</u>	<u>Series 2019</u>
Amounts outstanding, September 30, 2020	\$2,030,000	\$1,765,000	\$3,125,000
Interest rates	3.00% to 3.50%	2.37%	2.50% to 3.00%
Maturity dates, serially beginning/ending	March 1, 2026/2039	March 1, 2021/2029	March 1, 2026/2039
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	March 1, 2023*	March 1, 2022*	March 1, 2025*

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

NOTE 6: PROPERTY TAXES

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

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

At an election held on October 15, 1983, the voters within the District authorized a maintenance tax not to exceed \$0.50 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

At an election held on November 2, 2004, the voters within the District authorized an additional maintenance tax not to exceed \$0.10 per \$100 valuation on all property subject to taxation within the District solely for the purpose of operating and maintaining recreational facilities.

On September 17, 2019, the District levied the following ad valorem taxes for the 2019 tax year on the adjusted taxable valuation of \$334,905,272:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.4300	\$ 1,440,093
Maintenance	<u>0.2000</u>	<u>669,811</u>
	<u>\$ 0.6300</u>	<u>\$ 2,109,904</u>

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

2019 tax year total property tax levy	\$ 2,109,904
Appraisal district adjustments to prior year taxes	<u>(21,605)</u>
Statement of Activities property tax revenues	<u>\$ 2,088,299</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

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

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

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the District's deposits were covered by federal insurance.

At the balance sheet date the carrying value and market value of the investments in the private sector investment pool was \$4,647,376.

Deposits restricted by state statutes and the Bond Orders:

Debt Service Fund

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

Cash	\$ 34,426
Certificates of deposit	1,200,000
Temporary investments	<u>214,642</u>
	<u>\$ 1,449,068</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$ 100
Temporary investments	<u>1,281,272</u>
	<u>\$ 1,281,372</u>

NOTE 8: RISK MANAGEMENT

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At September 30, 2020, the District had physical damage and boiler and machinery coverage of \$5,700,000, comprehensive general liability and pollution liability coverage with a per occurrence limit of \$2,000,000 and \$4,000,000 general aggregate, consultant's crime coverage of \$100,000 and a tax assessor-collector bond of \$10,000.

NOTE 9: JOINT VENTURES

Harris County Municipal Utility Districts No. 127 and No. 239 entered into the Restated Water and Sewer Facilities Agreement on February 25, 1999, as amended January 1, 2000, April 24, 2003 and March 5, 2008. The term of the contract is sixty years. The contract was entered into for the purpose of sharing the financing, construction, operation, use and expansion of joint water production and wastewater treatment facilities (the "Facilities"). The Facilities consist of a water plant and wastewater treatment plant located within the boundaries of No. 127 and a second water plant located within the boundaries of the District. The facilities within No. 127 are operated by No. 127's contract operator and the facility within the District is operated by the District's contract operator.

Ownership of each participating district's operating capacity in the water plants is as follows: Harris County Municipal Utility District No. 127 -- 50.0%; Harris County Municipal Utility District No. 239 -- 50.0%. Ownership of each participating district's operating capacity in the expanded wastewater treatment plant is as follows: Harris County Municipal Utility District No. 127 -- 49.99%; Harris County Municipal Utility District No. 239 -- 50.01%.

Construction costs of the Facilities are funded by the contribution of funds from each participating district. Expansion costs of the Facilities are to be based upon each district's share of the expansion. The Facilities issues no debt. Operating costs are shared by the districts in proportion to the capacity owned. The districts are billed a monthly amount which is based upon actual costs incurred during the prior month. No. 127 bills the participants for the shared costs of operating the facilities within its boundaries and the District bills the participants for the shared costs of operating the facilities within its boundaries.

The District's share of the cost of operating the joint water supply and sewage treatment facilities managed by No. 127 was \$520,032 and \$349,026, respectively, for the year ended September 30, 2020. The District's share of the cost of operating the joint water supply facility managed by the District was \$243,237. The District also contributed \$53,035 for capital improvements at the sewage treatment facilities managed by No. 127 and \$118,845 for capital improvements at the joint water supply facility managed by the District. At September 30, 2020, the District's share of the \$120,000 operating reserve at the joint facilities managed by No. 127 was \$60,000 and the District's share of the \$48,518 operating reserve at the joint facility managed by the District was \$24,259.

NOTE 10: REGIONAL WATER AUTHORITY

The West Harris County Regional Water Authority (the "Authority") was created by House Bill 1842, Acts of the 77th Legislature, Regular Session 2001. The Authority is a political subdivision of the State of Texas, governed by an elected nine member Board of Directors. The Authority is empowered to, among other powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, as of September 30, 2020, the Authority had established a well pumpage fee of \$3.20 per 1,000 gallons of water pumped from each regulated well and a surface water usage fee equal to \$3.60 per 1,000 gallons of water purchased. The District billed its customers \$545,105 during the fiscal year to pay for the fees charged by the Authority. The District's well pumpage fees payable to the Authority are paid through the joint water supply facilities as described in Note 9.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The District has constructed modifications to the joint water plant managed by the District to enable it to receive and process surface water from the Authority. The Authority's rate order states that the Authority will reimburse the District for the cost of required modifications within certain limitations. At September 30, 2020, total construction costs of \$138,506 were recorded as receivable from the Authority for this purpose. This amount will be reimbursed to the parties that advanced funds for the modifications. As No. 127 was billed \$69,731 by the joint water plant managed by the District for these costs, \$69,731 was recorded as due to No. 127.

NOTE 11: STRATEGIC PARTNERSHIP AGREEMENT

Effective November 16, 2012, the District and the City of Houston (the "City") entered into a 30 year Strategic Partnership Agreement (the "Agreement"). Under the terms of the Agreement, the City annexed a portion of the District (the "Partial District") for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Partial District. The Agreement states that the District and all taxable property within the District shall not be liable for any present or future debts of the City and current and future taxes levied by the City shall not be levied on taxable property with the District. The City agreed that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement.

The City imposed a Sales and Use Tax within the boundaries of the Partial District at the time of the limited-purpose annexation of the Partial District. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas. The District accrued Sales and Use Tax revenues of \$71,194 from the City for the year ended September 30, 2020, of which \$20,099 of this amount was receivable at that date.

NOTE 12: GROUNDWATER BANK CERTIFICATES

The District has purchased Groundwater Bank certificates directly from the issuer, the Harris-Galveston Subsidence District (the "HGSD"). These certificates expire in 20 years and allow the bearer to pump the quantity of water specified on the certificate from wells instead of using surface water as mandated by the HGSD. Certificates can also be used in lieu of a disincentive fee assessed by the HGSD for ground water pumpage in excess of the District's permit as amended. At September 30, 2020, the District had in its possession certificates totaling 39,732 thousand gallons of water. The District values the certificates at cost which resulted in a total cost basis for the certificates on hand of \$17,000 at September 30, 2020.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 653,000	\$ 653,000	\$ 656,146	\$ 3,146
Water service	434,000	434,000	430,657	(3,343)
Sewer service	757,800	757,800	700,090	(57,710)
Surface water fees	522,900	522,900	545,105	22,205
Penalty	82,800	82,800	28,523	(54,277)
Security service	194,000	194,000	193,280	(720)
Sales and Use Taxes	64,200	64,200	71,194	6,994
Interest on deposits and investments	70,000	70,000	93,062	23,062
Other	<u>33,700</u>	<u>33,700</u>	<u>31,741</u>	<u>(1,959)</u>
TOTAL REVENUES	<u>2,812,400</u>	<u>2,812,400</u>	<u>2,749,798</u>	<u>(62,602)</u>
EXPENDITURES				
Service operations:				
Purchased services	981,500	981,500	1,112,295	130,795
Professional fees	116,100	116,100	132,197	16,097
Contracted services	99,600	99,600	100,847	1,247
Repairs, maintenance and other operating expenditures	578,800	578,800	387,615	(191,185)
Security service	285,000	285,000	284,563	(437)
Garbage disposal	286,800	286,800	292,658	5,858
Administrative expenditures	107,800	107,800	82,969	(24,831)
Capital outlay	<u>25,000</u>	<u>25,000</u>	<u>48,436</u>	<u>23,436</u>
TOTAL EXPENDITURES	<u>2,480,600</u>	<u>2,480,600</u>	<u>2,441,580</u>	<u>(39,020)</u>
EXCESS REVENUES (EXPENDITURES)	331,800	331,800	308,218	(23,582)
FUND BALANCE, BEGINNING OF YEAR	<u>5,606,077</u>	<u>5,606,077</u>	<u>5,606,077</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,937,877</u>	<u>\$ 5,937,877</u>	<u>\$ 5,914,295</u>	<u>\$ (23,582)</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
SEPTEMBER 30, 2020

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239

SCHEDULE OF SERVICES AND RATES

SEPTEMBER 30, 2020

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

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

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$10.04	2,000	N	\$1.52 2.02 3.02	2,001 to 10,000 10,001 to 20,000 Over 20,000
WASTEWATER:	\$31.91		Y		

SURCHARGE: \$3.60 per 1,000 gallons of water used – WHCRWA pumpage fee.

District employs winter averaging for wastewater usage: Yes No

Total charges per 10,000 gallons usage: Water: \$22.20 Wastewater: \$31.91 Surcharge: \$36.00

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239

SCHEDULE OF SERVICES AND RATES (Continued)

SEPTEMBER 30, 2020

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	0	0	1.0	0
< or = 3/4"	1,803	1,773	1.0	1,773
1"	17	17	2.5	43
1-1/2"	12	13	5.0	65
2"	27	24	8.0	192
3"	2	2	15.0	30
4"	0	0	25.0	0
6"	0	0	50.0	0
8"	1	1	80.0	80
10"	0	0	115.0	0
Total Water	<u>1,862</u>	<u>1,830</u>		<u>2,183</u>
Total Wastewater	<u>1,834</u>	<u>1,802</u>	1.0	<u>1,802</u>

*Single family equivalents

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

Gallons pumped into system (unaudited): 373,589
 Gallons billed to customers (unaudited): 346,764

Water Accountability Ratio
 (Gallons billed/ gallons pumped): 93%

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

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

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239

EXPENDITURES

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Purchased services:				
Water billed by the joint facility managed by the District	\$ 243,237	\$	\$	\$ 243,237
Water billed by the joint facilities managed by No. 127	520,032			520,032
Sewer billed by the joint facilities managed by No. 127	349,026			349,026
	<u>1,112,295</u>	<u>0</u>	<u>0</u>	<u>1,112,295</u>
Professional fees:				
Auditing	11,450			11,450
Legal	81,122	6,540		87,662
Engineering	39,625			39,625
	<u>132,197</u>	<u>6,540</u>	<u>0</u>	<u>138,737</u>
Contracted services:				
Bookkeeping	27,027		883	27,910
Operation and billing	73,820			73,820
Tax assessor-collector		27,904		27,904
Central appraisal district		15,567		15,567
	<u>100,847</u>	<u>43,471</u>	<u>883</u>	<u>145,201</u>
Repairs, maintenance and other operating expenditures:				
Repairs and maintenance	325,211			325,211
Laboratory costs	17,516			17,516
Sewer inspection costs	15,055			15,055
Utilities	5,392			5,392
Reconnection costs	18,080			18,080
TCEQ assessment	5,502			5,502
Other	859			859
	<u>387,615</u>	<u>0</u>	<u>0</u>	<u>387,615</u>
Security service	<u>284,563</u>	<u>0</u>	<u>0</u>	<u>284,563</u>
Garbage disposal	<u>292,658</u>	<u>0</u>	<u>0</u>	<u>292,658</u>
Administrative expenditures:				
Director's fees	13,050			13,050
Office supplies and postage	42,567			42,567
Insurance	9,926			9,926
Permits	4,533			4,533
Other	12,893	2,180		15,073
	<u>82,969</u>	<u>2,180</u>	<u>0</u>	<u>85,149</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239

EXPENDITURES (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CAPITAL OUTLAY				
Authorized expenditures	\$ 48,436	\$	\$ 2,558,205	\$ 2,606,641
DEBT SERVICE				
Principal retirement	0	1,180,000	0	1,180,000
Bond issuance expenditures	0	0	1,009	1,009
Interest and fees:				
Interest		466,749		466,749
Paying agent fees		3,150		3,150
	<u>0</u>	<u>469,899</u>	<u>0</u>	<u>469,899</u>
TOTAL EXPENDITURES	<u>\$ 2,441,580</u>	<u>\$ 1,702,090</u>	<u>\$ 2,560,097</u>	<u>\$ 6,703,767</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	\$ 2,153,636	\$ 1,469,885	\$ 38,453	\$ 3,661,974
Maintenance tax receipts		656,146		656,146
Transfer of maintenance taxes	657,383			657,383
Receipt of interfund receivable	500			500
Decrease in reserves at joint facilities	34,510			34,510
Increase in customer and builder deposits	35,706			35,706
Overpayments from taxpayers		39,581		39,581
	<u>2,881,735</u>	<u>2,165,612</u>	<u>38,453</u>	<u>5,085,800</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED				
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	2,271,478	54,509	883	2,326,870
Capital outlay	48,436		2,423,202	2,471,638
Debt service		1,649,899	1,009	1,650,908
Transfer of maintenance taxes		657,383		657,383
Payment of interfund payable			500	500
Refund of taxpayer overpayments		37,624		37,624
	<u>2,319,914</u>	<u>2,399,415</u>	<u>2,425,594</u>	<u>7,144,923</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED				
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	561,821	(233,803)	(2,387,141)	(2,059,123)
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>5,430,275</u>	<u>1,682,871</u>	<u>3,668,413</u>	<u>10,781,559</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 5,992,096</u>	<u>\$ 1,449,068</u>	<u>\$ 1,281,272</u>	<u>\$ 8,722,436</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

SEPTEMBER 30, 2020

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Certificates of Deposit				
No. 5010640	0.85%	3/20/21	\$ 240,000	\$ 1,084
No. 5000007913	0.85%	3/21/21	240,000	1,079
No. 91300011917611	0.70%	4/14/21	240,000	778
No. 11912	0.60%	9/14/21	240,000	63
No. 4400010208	1.65%	1/30/21	240,000	2,636
No. 80002141	0.49%	8/21/21	240,000	129
No. 4189075	1.20%	3/15/21	240,000	1,570
No. 2000000042	1.75%	2/15/21	240,000	2,624
No. 30026819	0.45%	9/23/21	240,000	21
No. 6000033768	0.75%	9/18/21	240,000	59
No. 3300035312	1.90%	10/15/20	<u>240,000</u>	<u>4,347</u>
			<u>\$ 2,640,000</u>	<u>\$ 14,390</u>
Texas CLASS				
No. TX-01-0381-0001	Market	On demand	<u>\$ 3,151,562</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
Certificates of Deposit				
No. 91300011912617	2.05%	2/12/21	\$ 240,000	\$ 3,100
No. 354	1.80%	2/08/21	240,000	2,770
No. 2000000010	1.75%	2/15/21	240,000	2,624
No. 6000026325	0.75%	8/07/21	240,000	266
No. 9009010264	1.80%	2/10/21	<u>240,000</u>	<u>2,746</u>
			<u>\$ 1,200,000</u>	<u>\$ 11,506</u>
Texas CLASS				
No. TX-01-0381-0002	Market	On demand	<u>\$ 214,642</u>	<u>\$ 0</u>
CAPITAL PROJECTS FUND				
Texas CLASS				
No. TX-01-0381-0006	Market	On demand	1,006,534	0
No. TX-01-0381-0007	Market	On demand	<u>274,638</u>	<u>0</u>
			<u>\$ 1,281,172</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 8,487,376</u>	<u>\$ 25,896</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 17,055	\$ 52,973
Additions and corrections to prior year taxes	<u>(6,452)</u>	<u>(15,153)</u>
Adjusted receivable, beginning of year	10,603	37,820
2019 ADJUSTED TAX ROLL	<u>669,811</u>	<u>1,440,093</u>
Total to be accounted for	680,414	1,477,913
Refund of prior year taxes collected in prior years	<u>3,852</u>	<u>9,629</u>
Tax collections: Current tax year	(658,445)	(1,415,658)
Prior tax years	<u>(1,553)</u>	<u>(3,415)</u>
RECEIVABLE, END OF YEAR	<u>\$ 24,268</u>	<u>\$ 68,469</u>
RECEIVABLE, BY TAX YEAR		
2009 and prior	\$ 525	\$ 3,875
2010	435	2,873
2011	486	3,210
2012	400	2,683
2013	558	3,741
2014	792	4,289
2015	887	3,335
2016	1,201	3,269
2017	2,607	5,735
2018	5,011	11,024
2019	<u>11,366</u>	<u>24,435</u>
RECEIVABLE, END OF YEAR	<u>\$ 24,268</u>	<u>\$ 68,469</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2020

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land	\$ 56,852,003	\$ 56,534,395	\$ 55,807,499	\$ 53,258,636
Improvements	295,720,439	270,706,701	265,066,986	254,815,285
Personal property	6,288,679	5,841,995	6,243,063	6,244,297
Less exemptions	<u>(23,955,849)</u>	<u>(22,534,259)</u>	<u>(28,842,975)</u>	<u>(32,580,755)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 334,905,272</u>	 <u>\$ 310,548,832</u>	 <u>\$ 298,274,573</u>	 <u>\$ 281,737,463</u>
 TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.43000	\$ 0.44000	\$ 0.46000	\$ 0.49000
Maintenance tax rates*	<u>0.20000</u>	<u>0.20000</u>	<u>0.18000</u>	<u>0.18000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.63000</u>	 <u>\$ 0.64000</u>	 <u>\$ 0.64000</u>	 <u>\$ 0.67000</u>
 TAX ROLLS	 <u>\$ 2,109,904</u>	 <u>\$ 1,987,513</u>	 <u>\$ 1,908,957</u>	 <u>\$ 1,887,641</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED	 <u>98.3 %</u>	 <u>99.2 %</u>	 <u>99.6 %</u>	 <u>99.8 %</u>

*Maximum tax rate approved by voters on October 15, 1983: \$0.50

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
SEPTEMBER 30, 2020

Series 2012			
<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2021	\$ 200,000	\$ 93,462	\$ 293,462
2022	215,000	85,162	300,162
2023	755,000	65,762	820,762
2024	795,000	38,737	833,737
2025	825,000	13,406	838,406
TOTALS	\$ 2,790,000	\$ 296,529	\$ 3,086,529

Series 2014			
<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2021	\$ 585,000	\$ 26,925	\$ 611,925
2022	605,000	9,075	614,075
TOTALS	\$ 1,190,000	\$ 36,000	\$ 1,226,000

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239

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

SEPTEMBER 30, 2020

<u>Due During Fiscal Years Ending September 30</u>	<u>Series 2015</u>		
	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2021	\$ 310,000	\$ 107,500	\$ 417,500
2022	325,000	97,975	422,975
2023	340,000	87,150	427,150
2024	360,000	74,000	434,000
2025	455,000	57,700	512,700
2026	585,000	36,900	621,900
2027	630,000	12,600	642,600
TOTALS	<u>\$ 3,005,000</u>	<u>\$ 473,825</u>	<u>\$ 3,478,825</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239

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

SEPTEMBER 30, 2020

<u>Due During Fiscal Years Ending September 30</u>	<u>Series 2015A</u>		
	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2021	\$	\$ 64,988	\$ 64,988
2022		64,988	64,988
2023		64,988	64,988
2024		64,988	64,988
2025		64,988	64,988
2026	100,000	63,488	163,488
2027	105,000	60,412	165,412
2028	110,000	57,188	167,188
2029	115,000	53,813	168,813
2030	125,000	50,212	175,212
2031	130,000	46,388	176,388
2032	135,000	42,412	177,412
2033	145,000	38,122	183,122
2034	155,000	33,434	188,434
2035	165,000	28,331	193,331
2036	170,000	22,887	192,887
2037	180,000	16,975	196,975
2038	190,000	10,500	200,500
2039	205,000	3,583	208,583
TOTALS	<u>\$ 2,030,000</u>	<u>\$ 1,177,625</u>	<u>\$ 3,207,625</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239

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

SEPTEMBER 30, 2020

<u>Due During Fiscal Years Ending September 30</u>	Series 2017		
	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2021	\$ 115,000	\$ 40,467	\$ 155,467
2022	115,000	37,743	152,743
2023	110,000	35,076	145,076
2024	110,000	32,469	142,469
2025	60,000	30,455	90,455
2026	205,000	27,314	232,314
2027	205,000	22,456	227,456
2028	415,000	15,108	430,108
2029	430,000	5,096	435,096
TOTALS	\$ 1,765,000	\$ 246,184	\$ 2,011,184

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239

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

SEPTEMBER 30, 2020

<u>Due During Fiscal Years Ending September 30</u>	<u>Series 2019</u>		
	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2021	\$	\$ 85,175	\$ 85,175
2022		85,175	85,175
2023		85,175	85,175
2024		85,175	85,175
2025		85,175	85,175
2026	160,000	83,175	243,175
2027	165,000	79,112	244,112
2028	225,000	74,237	299,237
2029	225,000	68,613	293,613
2030	235,000	62,862	297,862
2031	235,000	56,988	291,988
2032	235,000	51,112	286,112
2033	235,000	45,238	280,238
2034	235,000	38,775	273,775
2035	235,000	31,725	266,725
2036	235,000	24,675	259,675
2037	235,000	17,625	252,625
2038	235,000	10,575	245,575
2039	235,000	3,525	238,525
TOTALS	<u>\$ 3,125,000</u>	<u>\$ 1,074,112</u>	<u>\$ 4,199,112</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239

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

SEPTEMBER 30, 2020

<u>Due During Fiscal Years Ending September 30</u>	<u>Annual Requirements for All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2021	\$ 1,210,000	\$ 418,517	\$ 1,628,517
2022	1,260,000	380,118	1,640,118
2023	1,205,000	338,151	1,543,151
2024	1,265,000	295,369	1,560,369
2025	1,340,000	251,724	1,591,724
2026	1,050,000	210,877	1,260,877
2027	1,105,000	174,580	1,279,580
2028	750,000	146,533	896,533
2029	770,000	127,522	897,522
2030	360,000	113,074	473,074
2031	365,000	103,376	468,376
2032	370,000	93,524	463,524
2033	380,000	83,360	463,360
2034	390,000	72,209	462,209
2035	400,000	60,056	460,056
2036	405,000	47,562	452,562
2037	415,000	34,600	449,600
2038	425,000	21,075	446,075
2039	440,000	7,108	447,108
	<u>\$ 13,905,000</u>	<u>\$ 2,979,335</u>	<u>\$ 16,884,335</u>
TOTALS	<u>\$ 13,905,000</u>	<u>\$ 2,979,335</u>	<u>\$ 16,884,335</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
Bond Series:	2012	2014	2015
Interest Rate:	3.00% to 4.00%	3.00%	3.00% to 4.00%
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity Dates:	March 1, 2021/2025	March 1, 2021/2022	March 1, 2021/2027
Bonds Outstanding at Beginning of Current Year	\$ 2,995,000	\$ 1,755,000	\$ 3,300,000
Less Retirements	<u>(205,000)</u>	<u>(565,000)</u>	<u>(295,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 2,790,000</u>	<u>\$ 1,190,000</u>	<u>\$ 3,005,000</u>
Current Year Interest Paid	<u>\$ 99,922</u>	<u>\$ 44,175</u>	<u>\$ 115,100</u>

Bond Descriptions and Original Amount of Issue

- (1) Harris County Municipal Utility District No. 239 Unlimited Tax Refunding Bonds, Series 2012 (\$4,880,000)
- (2) Harris County Municipal Utility District No. 239 Unlimited Tax Refunding Bonds, Series 2014 (\$3,035,000)
- (3) Harris County Municipal Utility District No. 239 Unlimited Tax Refunding Bonds, Series 2015 (\$4,145,000)

Paying Agent/Registrar

- (1) U.S. Bank, N.A., Houston, Texas
- (2) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
- (3) Regions Bank, Houston, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds*</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 57,220,000	\$ 3,800,000	\$ 19,020,000.00
Amount Issued:	23,925,000	3,125,000	1,378,389.45
Remaining to be Issued:	33,295,000	675,000	17,641,610.55

*See Note 5 of the Notes to the financial statements.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>(4)</u>	<u>(5)</u>	<u>(6)</u>	<u>Totals</u>
Bond Series:	2015A	2017	2019	
Interest Rate:	3.00% to 3.50%	2.37%	2.50% to 3.00%	
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	March 1/ September 1	
Maturity Dates:	March 1, 2026/2039	March 1, 2021/2029	March 1, 2026/2039	
Bonds Outstanding at Beginning of Current Year	\$ 2,030,000	\$ 1,880,000	\$ 3,125,000	\$ 15,085,000
Less Retirements	_____	(115,000)	_____	(1,180,000)
Bonds Outstanding at End of Current Year	<u>\$ 2,030,000</u>	<u>\$ 1,765,000</u>	<u>\$ 3,125,000</u>	<u>\$ 13,905,000</u>
Current Year Interest Paid	<u>\$ 64,988</u>	<u>\$ 43,193</u>	<u>\$ 99,371</u>	<u>\$ 466,749</u>

Bond Descriptions and Original Amount of Issue

- (4) Harris County Municipal Utility District No. 239 Unlimited Tax Bonds, Series 2015A (\$2,030,000)
- (5) Harris County Municipal Utility District No. 239 Unlimited Tax Refunding Bonds, Series 2017 (\$2,030,000)
- (6) Harris County Municipal Utility District No. 239 Unlimited Tax Park Bonds, Series 2019 (\$3,125,000)

Paying Agent/Registrar

- (4) (6) Regions Bank, Houston, Texas
- (5) Branch Banking & Trust Company, Charlotte, NC

Net Debt Service Fund deposits and investments balances as of September 30, 2020: \$1,459,502
Average annual debt service payment for remaining term of all debt: 888,649

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED SEPTEMBER 30

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
REVENUES										
Property taxes	\$ 656,146	\$ 617,446	\$ 541,198	\$ 505,126	\$ 365,887	23.9 %	22.6 %	20.8 %	20.4 %	13.4 %
Water service	430,657	429,745	462,849	462,290	419,592	15.7	15.8	17.8	18.6	15.3
Sewer service	700,090	694,467	686,688	688,799	677,947	25.4	25.4	26.3	27.8	24.8
Surface water fees	545,105	495,059	484,976	418,198	402,228	19.8	18.2	18.6	16.8	14.7
Penalty	28,523	84,160	83,406	87,639	91,055	1.0	3.1	3.2	3.5	3.3
Tap connection and inspection fees	0	0	0	13,975	475,809	0.0	0.0	0.0	0.6	17.4
Security service	193,280	193,290	193,693	193,633	191,583	7.0	7.1	7.4	7.8	7.0
Sales and Use Taxes	71,194	64,052	64,066	56,263	54,785	2.6	2.4	2.5	2.3	2.0
Interest on deposits and investments	93,062	116,401	54,224	28,145	19,509	3.4	4.3	2.1	1.1	0.7
Other revenues	31,741	30,150	32,754	28,108	39,425	1.2	1.1	1.3	1.1	1.4
TOTAL REVENUES	<u>2,749,798</u>	<u>2,724,770</u>	<u>2,603,854</u>	<u>2,482,176</u>	<u>2,737,820</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Purchased services	1,112,295	908,059	912,456	891,258	895,746	40.5	33.4	35.0	35.8	32.8
Professional fees	132,197	148,384	122,612	110,653	118,466	4.8	5.4	4.7	4.5	4.3
Contracted services	100,847	93,506	78,572	77,087	90,066	3.7	3.4	3.0	3.1	3.3
Repairs, maintenance and other operating expenditures	387,615	375,899	338,390	322,132	418,113	14.1	13.9	13.0	13.0	15.2
Security service	284,563	276,660	273,304	268,694	202,810	10.3	10.2	10.5	10.8	7.4
Garbage disposal	292,658	284,037	277,990	272,530	267,163	10.6	10.4	10.7	11.0	9.8
Administrative expenditures	82,969	82,593	89,657	73,489	79,543	3.0	3.0	3.4	3.0	2.9
Capital outlay	48,436	14,962	511,857	12,797	284,743	1.8	0.5	19.7	0.5	10.4
TOTAL EXPENDITURES	<u>2,441,580</u>	<u>2,184,100</u>	<u>2,604,838</u>	<u>2,028,640</u>	<u>2,356,650</u>	<u>88.8</u>	<u>80.2</u>	<u>100.0</u>	<u>81.7</u>	<u>86.1</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 308,218</u>	<u>\$ 540,670</u>	<u>\$ (984)</u>	<u>\$ 453,536</u>	<u>\$ 381,170</u>	<u>11.2 %</u>	<u>19.8 %</u>	<u>0.0 %</u>	<u>18.3 %</u>	<u>13.9 %</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,863</u>	<u>1,829</u>	<u>1,832</u>	<u>1,831</u>	<u>1,826</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,834</u>	<u>1,800</u>	<u>1,804</u>	<u>1,803</u>	<u>1,798</u>					

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239

DEBT SERVICE FUND

FOR YEARS ENDED SEPTEMBER 30

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
REVENUES										
Property taxes	\$ 1,409,444	\$ 1,360,521	\$ 1,386,507	\$ 1,385,146	\$ 1,378,427	96.3 %	95.1 %	96.4 %	97.7 %	98.6 %
Penalty and interest	20,883	20,814	26,699	21,911	14,224	1.4	1.5	1.9	1.5	1.0
Accrued interest on bonds received at date of sale	0	4,022	0	0	0	0.0	0.3	0.0	0.0	0.0
Interest on deposits and investments	<u>34,125</u>	<u>44,779</u>	<u>24,384</u>	<u>11,130</u>	<u>6,200</u>	<u>2.3</u>	<u>3.1</u>	<u>1.7</u>	<u>0.8</u>	<u>0.4</u>
TOTAL REVENUES	<u>1,464,452</u>	<u>1,430,136</u>	<u>1,437,590</u>	<u>1,418,187</u>	<u>1,398,851</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Professional fees	6,540	6,516	9,164	5,882	3,591	0.4	0.5	0.6	0.4	0.3
Contracted services	43,471	41,738	39,402	37,802	37,127	3.0	2.9	2.7	2.7	2.7
Other expenditures	2,180	3,922	3,011	4,083	4,428	0.1	0.3	0.2	0.3	0.3
Debt service:										
Principal retirement	1,180,000	1,150,000	695,000	645,000	1,025,000	80.6	80.3	48.4	45.4	73.2
Refunding contribution	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0
Interest and fees	<u>469,899</u>	<u>396,769</u>	<u>407,420</u>	<u>473,395</u>	<u>496,202</u>	<u>32.1</u>	<u>27.8</u>	<u>28.4</u>	<u>33.4</u>	<u>35.5</u>
TOTAL EXPENDITURES	<u>1,702,090</u>	<u>1,598,945</u>	<u>1,153,997</u>	<u>1,166,162</u>	<u>1,566,348</u>	<u>116.2</u>	<u>111.8</u>	<u>80.3</u>	<u>82.2</u>	<u>112.0</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ (237,638)</u>	<u>\$ (168,809)</u>	<u>\$ 283,593</u>	<u>\$ 252,025</u>	<u>\$ (167,497)</u>	<u>(16.2) %</u>	<u>(11.8) %</u>	<u>19.7 %</u>	<u>17.8 %</u>	<u>(12.0) %</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSSEPTEMBER 30, 2020

Complete District Mailing Address: Harris County Municipal Utility District No. 239
c/o Schwartz, Page & Harding, L.L.P.
1300 Post Oak Boulevard, Suite 1400
Houston, Texas 77056

District Business Telephone No.: 713-623-4531

Submission date of the most recent District Registration Form: December 12, 2020

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

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Fred Garcia c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056	Elected 5/02/20- 5/04/24	\$ 3,000	\$ 178	President
Gary M. Spires c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056	Elected 5/05/18- 5/07/22	2,250	150	Vice President
Anthony Landry c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056	Elected 5/05/18- 5/07/22	2,400	150	Secretary
Michael Gordinier c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056	Elected 5/02/20- 5/04/24	2,400	235	Assistant Secretary
Bonnie Tyler c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056	Elected 5/02/20- 5/04/24	3000	78	Director

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 239

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

SEPTEMBER 30, 2020

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements*</u>	<u>Title at Year End</u>
Schwartz, Page & Harding L.L.P. 1300 Post Oak Blvd., Suite 1400 Houston, Texas 77056	9/22/83	\$ 83,067	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 N. Loop West, Suite 600 Houston, Texas 77008	1/20/97	6,540	Delinquent Tax Attorney
Municipal Accounts & Consulting, L.P. 1281 Brittmoore Road Houston, Texas 77043	4/24/03	38,524	Bookkeeper
Mark M. Burton/Ghia Lewis 1281 Brittmoore Road Houston, Texas 77043	7/15/04	0	Investment Officer
H2O Consulting, Inc. 5870 Highway 6 North, Suite 215 Houston, Texas 77084	9/28/00	311,761	Operator
Brown & Gay Engineers, Inc. 10777 Westheimer, Suite 400 Houston, Texas 77077	11/20/03	101,166	Engineer
Assessments of the Southwest, Inc. P.O. Box 1368 Friendswood, Texas 77546	1/16/84	30,083	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	15,567	Central Appraisal District
Masterson Advisors, LLC 3 Greenway Plaza, Suite 1100 Houston, Texas 77046	5/15/18	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	9/20/11	13,305 500 Other	Independent Auditor

*Includes Joint Facility.

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



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