OFFICIAL STATEMENT DATED JANUARY 9, 2020

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, AND THE BONDS ARE NOT PRIVATE ACTIVITY BONDS. SEE "LEGAL MATTERS" AND "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE DISTRICT HAS NOT DESIGNATED THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—NOT QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS" HEREIN.

NEW ISSUE-Book-Entry Only

Insured Rating (BAM): S&P "AA" (stable outlook)
Underlying Rating: Moody's "A2"
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

$2,200,000
TIMBER LANE UTILITY DISTRICT
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX BONDS, SERIES 2020

The bonds described above (the "Bonds") are obligations solely of Timber Lane Utility District (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: February 1, 2020 **Due: August 1, as shown below**

Principal of the Bonds will be payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from February 1, 2020 and will be payable on August 1 and February 1 of each year commencing August 1, 2020 until maturity or prior redemption, 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 mature and are subject to redemption prior to maturity as shown below.

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

MATURITY SCHEDULE

Due (August 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (August 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2021	$ 100,000	3.000 %	1.20 %	887127 YM4	2031	$ 100,000 (c)	2.125 %	2.15 %	887127 YX0
2022	100,000	3.000	1.25	887127 YN2	2032	100,000 (c)	2.125	2.25	887127 YY8
2023	100,000	3.000	1.30	887127 YP7	2033	125,000 (c)	2.250	2.30	887127 YZ5
2024	100,000	3.000	1.35	887127 YQ5	2034	125,000 (c)	2.250	2.35	887127 ZA9
2025	100,000	3.000	1.45	887127 YR3	2035	125,000 (c)	2.250	2.40	887127 ZB7
2026	100,000 (c)	2.000	1.60	887127 YS1	2036	125,000 (c)	2.375	2.45	887127 ZC5
2027	100,000 (c)	2.000	1.70	887127 YT9	2037	125,000 (c)	2.375	2.50	887127 ZD3
2028	100,000 (c)	2.000	1.80	887127 YU6	2038	125,000 (c)	2.500	2.55	887127 ZE1
2029	100,000 (c)	2.000	1.95	887127 YV4	2039	125,000 (c)	2.500	2.60	887127 ZF8
2030	100,000 (c)	2.000	2.05	887127 YW2	2040	125,000 (c)	2.500	2.65	887127 ZG6

(a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from February 1, 2020, is to be added to the price.

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

(c) Bonds maturing on and after August 1, 2026, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on August 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District, all to the extent and subject to the conditions described below. THE BONDS ARE 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 Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds through DTC is expected on or about February 13, 2020.

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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, resolutions, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas 77019, upon payment of duplication costs.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the 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 Initial Purchaser and thereafter only as specified in "PREPARATION OF 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."

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement.

HURRICANE HARVEY

General... 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 has experienced four 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.

Impact on the District... According to the District's Engineer, the District's wastewater treatment facility sustained some damage to the ultraviolet disinfection system requiring replacement. Additionally, six lift stations were damaged and have been repaired. Approximately 1,100 of the 5,953 homes within the District and three commercial properties sustained flood damage. The District also sustained damage to some of its park and recreational facilities, which have been repaired. The District has filed claims with FEMA and insurance for reimbursement, some of which are pending payment.

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. See "INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey."

THE FINANCING

The Issuer... Timber Lane Utility District (the "District"), a political subdivision of the State of Texas, located in Harris County, Texas. See "THE DISTRICT."

The Issue... $2,200,000 Timber Lane Utility District Unlimited Tax Bonds, Series 2020 (the "Bonds"), dated February 1, 2020. The Bonds mature serially on August 1 in each of the years 2021 through 2040, both inclusive, in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds will accrue from February 1, 2020, with interest payable August 1, 2020 and each February 1 and August 1 thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. See "THE BONDS."

Redemption… Bonds maturing on August 1, 2026 and thereafter are subject to redemption, in whole or, from time to time in part, at the option of the District, prior to their maturity dates, on August 1, 2025 or any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. If fewer than all of the Bonds are to be redeemed, the maturities and amounts of Bonds to be redeemed shall be selected by the District. If fewer than all the Bonds of a given maturity are to be redeemed, the particular Bonds to be redeemed shall be selected on behalf of the District by the Paying Agent/Registrar (as defined herein) by method of random selection (or while the Bonds are in Book-Entry-Only form, by DTC in accordance with its procedures). See "THE BONDS—Redemption Provisions." The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple thereof. See "THE BONDS."

Book-Entry-Only System… The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. 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."

Source of Payment… Principal of and Interest on the Bonds are payable from a continuing direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. 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. See "THE BONDS—Source and Security for Payment."

Payment Record… The District has four series of unlimited tax bonds for water, sewer and drainage facilities, three series of unlimited tax bonds for recreational facilities, and five series of unlimited tax bonds for refunding purposes outstanding of which $51,530,000 principal amount remains outstanding (collectively, the "Outstanding Bonds") as of the date hereof. The District has never defaulted in the timely payment of any previously issued bonds.

Use of Proceeds… Proceeds of the Bonds will be used to pay for engineering and construction costs associated with water, wastewater, and drainage facilities shown herein under "THE SYSTEM—Use and Distribution of Bond Proceeds." In addition, Bond proceeds will be used to pay engineering fees and administrative costs and certain other costs related to the issuance of the Bonds. See "THE SYSTEM—Use and Distribution of Bond Proceeds."

Not Qualified Tax-Exempt Obligations… The Bonds are not designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986. See "TAX MATTERS—Qualified Tax Exempt Obligations for Financial Institutions."

Municipal Bond Rating and Municipal Bond Insurance... 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 ("BAM" or the "Insurer"). The Bonds are rated "A2" by Moody's Investors Service, Inc. (Moody's) without regard to credit enhancement. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE," and "APPENDIX B."

Investment Considerations… The purchase and ownership of the Bonds are subject to special investment considerations, and all prospective purchasers are urged to examine carefully the entire Official Statement for a discussion of investment risks, including particularly the section captioned "INVESTMENT CONSIDERATIONS."

THE DISTRICT

Description... Timber Lane Utility District (the "District") is a political subdivision of the State of Texas, created by special act of the 61st Legislature, Regular Session, 1969, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District presently contains approximately 2,109 acres of land.

The District is located in north Harris County, approximately 20 miles north of the central downtown business district of the City of Houston. The District lies wholly within the extraterritorial jurisdiction of the City of Houston. Substantially all of the acreage in the District lies within the boundaries of the Spring Independent School District with the exception of approximately 387 acres, which lie within the boundaries of Aldine Independent School District. Access to the District is provided by Interstate Highway 45 or the Hardy Toll Road to Farm-to-Market 1960, then east to Aldine Westfield Road. See "THE DISTRICT" and "AERIAL PHOTGRAPH."

The older development within the District served by District water, sanitary sewer and drainage facilities includes the residential subdivisions of Timber Lane, Sections 1 through 12 (collectively, 2,073 lots on approximately 500 acres), Sandpiper, Section 1 (225 lots on approximately 46 acres), Sandpiper Village, Sections 1 and 2 (131 lots on approximately 13 acres) and Cypress Trails of Timber Lane, Sections 1 and 2 (532 lots on approximately 89 acres) plus 105 duplexes and quadraplexes developed on approximately 8 acres. These sections have been developed and substantially built out for many years.

The District also provides water, sanitary sewer and drainage facilities to serve areas more recently developed including Spring Crossing, Sections 1 and 2 (38 acres developed into 280 single-family residential lots), Park Spring, Sections 1 through 7 (156 acres developed into 672 single-family residential lots), Cypress Terrace, Sections 1 through 3 (53 acres developed into 308 single-family residential lots), Highland Glen, Sections 1 through 4 (84 acres developed into 341 single-family residential lots), Maple Terrace (27 acres developed into 122 single-family residential lots), Werrington, Section 1 (72 acres developed into 384 single-family residential lots), Werrington Park, Sections 2 through 5 (89 acres developed into 519 single-family residential lots), Arbor Trails, Sections 1 through 3 (45 acres developed into 220 single-family residential lots) and Breckenridge West, Sections 1 and 2 (40 acres developed into 196 residential lots). Builders that requested taps for new homes in 2019 include Greeneco Builders, Anglia Homes and D.R. Horton.

Based on 2019 tax rolls of the District, single-family residential home values range from approximately $60,000 to approximately $220,000 and the average taxable home value is approximately $139,379.

As of December 12, 2019, 6,007 homes (including some duplexes and quadraplexes) were completed in the District (of which 5,867 were occupied and 140 were vacant), 31 homes were under construction or owned by a builder, and approximately 262 developed lots were vacant. Additionally, approximately 15 acres is under construction in Highland Glen, Section 5 for the development of 65 single-family residential lots and completion is anticipated in the first quarter of 2020.

In addition to the single-family residential development described above, the District contains three apartment projects constructed on approximately 71 acres, which contain an aggregate of approximately 525 units. A 180-unit senior living complex has been constructed on approximately 11 acres within the District.

Commercial and retail development within the District includes approximately 63 connections comprised primarily of single businesses, tenants in three retail shopping centers, three small professional office buildings and a Walmart Neighborhood Market, collectively on approximately 29 acres.

Additionally, the District contains approximately 447 acres of developable land which is not presently provided with water, sewer, and drainage facilities, an additional 96 acres located within drainage easements and the present 100-year flood plain designation, and approximately 190 acres included in District plant sites, drainage rights-of-way, and parks and open space. Of such developable acreage, approximately 224 acres are owned by D.R. Horton, approximately 94 acres are owned by CET (hereinafter defined) and approximately 129 acres are owned by various entities, none of which have reported any development plans. See "THE DISTRICT—Status of Development" and "THE DEVELOPERS AND MAJOR LANDOWNERS."

The Developers and Major Land Owners... Development activities in the District have been conducted by various developers who no longer own any developable land in the District. Development of newer single-family residential subdivisions where home building activity has occurred has been conducted by: (1) Pulte Homes of Texas, L.P. (Spring Crossing, Sections 1 through 2); (2) Ravenwood Development Limited, an affiliate of Supreme Builders Inc. (Park Spring, Sections 1 and 4); (3) D.R. Horton Texas Ltd. (Park Spring, Sections 2, 3, 5, 6 and 7 and Breckenridge West, Sections 1 and 2); (4) Highland Glen, Ltd. (Highland Glen, Sections 1 through 4); (5) 301 Mercer Park Ltd. (Cypress Terrace, Sections 1 through 3); (6) Maple Terrace Partners, Ltd. (Maple Terrace); (7) Werrington Interests, Ltd. (Werrington, Section 1 and Werrington Park, Sections 2 through 5); (8) L&E Boettcher Family Partnership, Ltd. (Arbor Trails, Sections 1 through 2); and (9) Arbor Trails 56, LLC, an affiliate of Greeneco Homes (Arbor Trails, Section 3). Highland Glen, Ltd. is also currently developing approximately 15 acres (65 single-family residential lots) in Highland Glen, Section 5 and completion is anticipated in the first quarter of 2020. D.R. Horton owns approximately 224 acres of undeveloped land in the District for future development and CET Limited ("CET") or related entities own approximately 94 acres of undeveloped land in the District that are available for future development. See "THE DEVELOPERS AND MAJOR LANDOWNERS."

Bond Counsel ... Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."

Disclosure Counsel ... McCall, Parkhurst & Horton L.L.P., Dallas, Texas.

Financial Advisor ... Masterson Advisors LLC, Houston, Texas.

Paying Agent/Registrar... Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas. See "THE BONDS—Paying Agent/Registrar."

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SELECTED FINANCIAL INFORMATION

2019 Taxable Assessed Valuation	$868,764,545	(a)
Estimated Taxable Assessed Valuation as of November 15, 2019	$875,671,036	(b)
Gross Direct Debt Outstanding (after the issuance of the Bonds)	$53,730,000	(c)
Estimated Overlapping Debt	43,606,915	(d)
Gross Direct Debt and Estimated Overlapping Debt	$97,336,915	
Ratios of Gross Direct Debt to:		
2019 Taxable Assessed Valuation	6.18%	
Estimated Taxable Assessed Valuation as of November 15, 2019	6.14%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2019 Taxable Assessed Valuation	11.20%	
Estimated Taxable Assessed Valuation as of November 15, 2019	11.12%	
2019 Debt Service Tax Rate	$0.51	
2019 Maintenance Tax Rate	0.38	
2019 Total Tax Rate	$0.89/$100 A.V.	
Average Annual Debt Service Requirements (2020-2040) of the Bonds (“Average Requirement”)	$3,349,490	(e)
Maximum Annual Debt Service Requirement (2021) of the Bonds (“Maximum Requirement”)	$4,604,944	(e)
Tax Rates Required to Pay Average Requirement (2020-2040) at a 95% Collection Rate		
Based upon 2019 Taxable Assessed Valuation	$0.41/$100 A.V.	(f)
Based upon Estimated Taxable Assessed Valuation as of November 15, 2019	$0.41/$100 A.V.	(f)
Tax Rates Required to Pay Maximum Requirement (2021) at a 95% Collection Rate		
Based upon 2019 Taxable Assessed Valuation	$0.56/$100 A.V.	(f)
Based upon Estimated Taxable Assessed Valuation as of November 15, 2019	$0.56/$100 A.V.	(f)
Water Connections as of December 12, 2019 (g):		
Single-family residential (including duplexes and quadraplexes – active)	5,867	
Single-family residential (including duplexes and quadraplexes – inactive)	140	
Builder Connections	31	
Multifamily (705 units)	10	
Commercial Connections	64	
Other Connections	56	
Total	6,156	

Estimated 2019 Population – 21,836 (h)

(a) The Harris County Appraisal District (the “Appraisal District”) has certified $862,522,117 of taxable value and an additional $6,242,428 of taxable value remains uncertified. The uncertified value is the landowners’ opinion of the value; however such value is subject to review and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See “TAX PROCEDURES.”

(b) As estimated by the Appraisal District as of November 15, 2019, for informational purposes only. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and therefore this estimate will not be the basis for any tax levy by the District. The 2019 Certified Taxable Assessed Valuation provided by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2019 to November 15, 2019. See “TAX PROCEDURES.”

(c) After the issuance of the Bonds. See “FINANCIAL STATEMENT—Outstanding Bonds.”

(d) See “ESTIMATED OVERLAPPING DEBT STATEMENT.”

(e) See “DEBT SERVICE REQUIREMENTS.”

(f) See “TAX DATA—Tax Adequacy for Debt Service” and “INVESTMENT CONSIDERATIONS—Impact on District Tax Rates.”

(g) See “THE DISTRICT—Status of Development.”

(h) Estimate based on 3.5 persons per occupied home and 2 persons per apartment unit.

OFFICIAL STATEMENT

$2,200,000

TIMBER LANE UTILITY DISTRICT

(A political subdivision of the State of Texas located within Harris County)

UNLIMITED TAX BONDS
SERIES 2020

This Official Statement provides certain information in connection with the issuance by Timber Lane Utility District (the "District") of its $2,200,000 Unlimited Tax Bonds, Series 2020 (the "Bonds").

The Bonds are issued pursuant to Article XVI Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board") and an order of the Texas Commission on Environmental Quality (the "Commission" or "TCEQ").

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, among other things. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas 77019 ("Bond Counsel") upon payment of the costs of duplication thereof.

THE BONDS

Description

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, which authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated February 1, 2020 and will bear interest from February 1, 2020 at the rates shown on the cover page hereof, payable on August 1, 2020, and on each February 1 and August 1 thereafter (each an "Interest Payment Date") until maturity or redemption. The Bonds mature on August 1 of the years and in the amounts and bear interest at the rates shown under "MATURITY SCHEDULE" 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 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.

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

Authority for Issuance

At an election held within the District on August 11, 2001 voters of the District authorized $71,000,000 principal amount of unlimited tax bonds for the purposes of purchasing, constructing, acquiring, owning, operating, repairing, improving and extending facilities for a waterworks, sewer and drainage system and for refunding bond purposes. Additionally, at an election on May 12, 2007, voters of the District authorized $20,000,000 principal amount of unlimited tax bonds for the purposes of purchasing, constructing, acquiring, owning, operating, repairing, improving and extending facilities for a waterworks, sewer and drainage system and for refunding bond purposes and $6,000,000 principal amount of unlimited tax recreational facilities bonds for acquiring and constructing recreational facilities. After issuance of the Bonds, the District will have $26,000,000 principal amount of authorized but unissued unlimited tax bonds for water, sewer and drainage facilities, no authorized but unissued unlimited tax bonds for recreational facilities, and $20,542,369.02 principal amount of authorized but unissued unlimited tax bonds for refunding purposes. See "Issuance of Additional Debt" herein and "INVESTMENT CONSIDERATIONS—Future Debt." The Commission, pursuant to its order approving sale of the Bonds, has authorized the District to sell the Bonds for the purposes described in "THE SYSTEM—Use and Distribution of Bond Proceeds."

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, an order of the Commission, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas and an election held within the District.

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

Registration, Transfer and Exchange

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the Bond Order. While the Bonds are in the Book-Entry-Only system, Bonds will be registered only in the name of Cede & Co and held by DTC. See "BOOK-ENTRY-ONLY SYSTEM."

Paying Agent/Registrar

The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas. In the Bond Order the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid, and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

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.

Source and Security for Payment

The Bonds, when issued, will constitute valid and binding obligations of the District and are payable as to principal and interest from and are secured by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Tax proceeds, after deduction for collection costs, will be placed in the Debt Service Fund (as defined in the Bond Order) and used solely to pay principal of and interest on the Bonds, the Outstanding Bonds, and on any additional bonds issued by the District payable from taxes which may be levied. See "TAX DATA."

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

Funds

In the Bond Order, the Debt Service Fund is confirmed. The Debt Service Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Outstanding Bonds, the Bonds and any of the District's duly authorized additional bonds, together with interest thereon, as such becomes due. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, and to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds.

Accrued interest on the Bonds will be deposited into the Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds including interest earnings thereon, will be deposited into the Capital Projects Fund to be used for the purpose of acquiring and constructing District facilities and for paying the costs of issuing the Bonds. See "THE SYSTEM—Use and Distribution of Bond Proceeds."

The Bond Order also confirms the previous establishment of the District's General Fund. The District deposits, as collected, all revenues derived from operation of the District's water and wastewater system and from maintenance taxes into the General Fund. From the General Fund, the District pays all administration, operation, and maintenance expenses of the water and wastewater system and the District's storm drainage system, recreational facilities and street lights in the District. Any funds remaining in the General Fund after payment of maintenance and operating expenses may be used by the District for any lawful purposes.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after August 1, 2026, prior to their scheduled maturities, in whole or, from time to time in part, in integral multiples of $5,000 on August 1, 2025, or any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption.

If fewer than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If fewer than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by DTC in accordance with its procedures or, if the Bonds are no longer in the Book-Entry- Only System, by the Paying Agent/Registrar by such method of random selection as it deems fair and appropriate.

If a Bond subject to redemption is in a denomination larger than $5,000, a portion of such Bond may be redeemed, but only in integral multiples of $5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall have been made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Commission, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT—General." The Bonds are the thirtieth series of bonds (including refunding and recreational facilities bonds) issued by the District and are the tenth series of bonds issued out of an aggregate of $71,000,000 principal amount of unlimited tax bonds authorized by the District's voters on August 11, 2001 for water, sewer, and drainage facilities. The District currently has four series of unlimited tax bonds for water, sewer, and drainage facilities, three series of unlimited tax bonds for recreational facilities and five series of unlimited tax refunding bonds for refunding purposes outstanding in the aggregate principal amount of $51,530,000 (the "Outstanding Bonds"). After issuance of the Bonds, the District will have $26,000,000 principal amount of authorized but unissued unlimited tax bonds for water, sewer and drainage facilities, no authorized but unissued unlimited tax bonds for recreational facilities, and $20,542,369.02 principal amount of authorized but unissued unlimited tax bonds for refunding purposes.

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 is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. It is not anticipated at this time that bonds will be issued by the District for fire-fighting purposes. Issuance of bonds for fire-fighting purposes could dilute the investment security for the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District has adopted a Master Parks Plan. On May 12, 2007, the voters of the District authorized $6,000,000 of recreational facilities bonds. Before the District can issue recreational facilities bonds payable from taxes, the following actions are required: (a) approval of the recreational facilities bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The outstanding principal amount of recreational facilities bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The District issued an aggregate of $6,000,000 principal amount of recreational facilities bonds in three series. The District has no authorized but unissued unlimited tax bonds for recreational 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" nor calling such an election at this time. Issuance of bonds for roads could dilute the investment security for the Bonds.

The District expressly reserves the right to issue in one or more installments the following: (1) bonds payable solely from net revenues of the District's System for the purpose of completing, repairing, improving, extending, enlarging or replacing the System, and such bonds may be payable from and equally secured by a lien on and pledge of net revenues on a parity with the pledge on any previously issued bonds secured by net revenues to the extent net revenues are used to pay the principal of and interest on such bonds; (2) inferior lien bonds which pledge the net revenues of the System to the payment thereof, such pledge to be subordinate in all respects to the lien of previously issued revenue bonds and any previously issued or subsequently issued bonds which are on a parity with the Bonds; (3) special project bonds for the purchase, construction, improvement, extension, replacement, enlargement or repair of water, sewer and/or drainage facilities necessary under a contract or contracts with persons, corporations, municipal corporations, political subdivisions or other entities, such special project bonds to be payable from and secured by the proceeds of such contract or contracts; and (4) any other evidence of indebtedness authorized by law.

Issuance of additional bonds or other subsequently authorized bonds could affect the investment quality or security of the Bonds. See "INVESTMENT CONSIDERATIONS—Future Debt."

Annexation and Consolidation

The District is located wholly within the extraterritorial jurisdiction ("ETJ") of the City of Houston. If the City of Houston were to annex the District, the District would be abolished within ninety (90) days after annexation. If the District were annexed and abolished, the City of Houston would assume the assets, functions and obligations of the District (including the Bonds). However, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. See "THE DISTRICT—Strategic Partnership Agreement," for a description of the terms of the Strategic Partnership Agreement between the City and the District. No representation is made concerning the likelihood of annexation or the ability of the City of Houston to make debt service payments on the Bonds should annexation occur. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and, therefore, the District makes no representation that the City of Houston will ever attempt to annex the District and assume its debt.

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.

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 as follows: (i) by paying or causing to pay principal and interest due on the Bonds (whether at maturity, redemption or otherwise) in accordance with the terms of the Bonds; (ii) 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 (iii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, or with a commercial bank or trust company designated in the proceedings authorizing the 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, (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 the investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which 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.

Upon such deposit or payment as described above, such Bonds shall no longer be regarded as 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 the future 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 of those currently permitted under Texas law.

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.

Amendments

The District has reserved the right to amend the Bond Order without the consent of the Registered Owners as may be required (a) by the provisions of the Bond Order, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission in the Bond Order, or (c) in connection with any other change not to the prejudice of the Registered Owners, but the District may not otherwise amend the terms of the Bonds or of the Bond Order without the consent of the Registered Owners.

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observance 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. See “INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations.”

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal 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 the District nor the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

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

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 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 "AA+" by S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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.

Use of Certain Terms in Other Sections of this Official Statement: In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and, (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

THE DISTRICT

General

The District is a political subdivision of the State of Texas, created by special act of the 61st Legislature of the State of Texas, Regular Session, 1969. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, particularly Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended.

The District is empowered, among other things, to 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 is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the City of Houston, the Commission and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance parks and recreational facilities and may also, subject to the granting of road powers by the Commission and certain limitations, develop and finance roads.

The Commission exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, drainage, park and recreation facilities, roads, firefighting, and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to platted lots and reserves which have been approved by the Planning Commission of the City of Houston. Construction and operation of the District's drainage system are subject to the regulatory jurisdiction of additional government agencies. See "THE SYSTEM."

Description and Location

The District is located in north Harris County, approximately 20 miles north of the central downtown business district of the City of Houston. The District presently contains approximately 2,109 acres of land and lies wholly within the extraterritorial jurisdiction of the City of Houston. Substantially all of the acreage in the District lies within the boundaries of the Spring Independent School District with the exception of approximately 387 acres which lie within the boundaries of Aldine Independent School District. Access to the District is provided by Interstate Highway 45 or the Hardy Toll Road to Farm-to- Market 1960, then east to Aldine Westfield Road. See "AERIAL PHOTOGRAPH."

Status of Development

The older development within the District served by District water, sanitary sewer and drainage facilities includes the residential subdivisions of Timber Lane, Sections 1 through 12 (collectively, 2,073 lots on approximately 500 acres), Sandpiper, Section 1 (225 lots on approximately 46 acres), Sandpiper Village, Sections 1 and 2 (131 lots on approximately 13 acres) and Cypress Trails of Timber Lane, Sections 1 and 2 (532 lots on approximately 89 acres) plus 105 duplexes and quadraplexes developed on approximately 8 acres. These sections have been developed and substantially built out for many years.

The District also provides water, sanitary sewer and drainage facilities to serve areas more recently developed including Spring Crossing, Sections 1 and 2 (38 acres developed into 280 single-family residential lots), Park Spring, Sections 1 through 7 (156 acres developed into 672 single-family residential lots), Cypress Terrace, Sections 1 through 3 (53 acres developed into 308 single-family residential lots), Highland Glen, Sections 1 through 4 (84 acres developed into 341 single-family residential lots), Maple Terrace (27 acres developed into 122 single-family residential lots), Werrington, Section 1 (72 acres developed into 384 single-family residential lots), Werrington Park, Sections 2 through 5 (89 acres developed into 519 single-family residential lots), Arbor Trails, Sections 1 through 3 (45 acres developed into 220 single-family residential lots) and Breckenridge West, Sections 1 and 2 (40 acres developed into 196 residential lots). Builders that requested taps for new homes in 2019 include Greeneco Builders, Anglia Homes and D.R. Horton. Based on 2019 tax rolls of the District, single-family residential home values range from approximately $60,000 to approximately $220,000 and the average taxable home value is approximately $139,379.

As of December 12, 2019, 6,007 homes (including some duplexes and quadraplexes) were completed in the District (of which 5,867 were occupied and 140 were vacant), 31 homes were under construction or owned by a builder, and approximately 262 developed lots were vacant. Additionally, approximately 15 acres is under construction in Highland Glen, Section 5 for the development of 65 single-family residential lots and completion is anticipated in the first quarter of 2020.

In addition to the single-family residential development described above, the District contains three apartment projects constructed on approximately 71 acres, which contain an aggregate of approximately 525 units. A 180-unit senior living complex has been constructed on approximately 11 acres within the District.

Commercial and retail development within the District includes approximately 63 connections comprised primarily of single businesses, tenants in three retail shopping centers, three small professional office buildings and a Walmart Neighborhood Market, collectively on approximately 29 acres.

Additionally, the District contains approximately 447 acres of developable land which is not presently provided with water, sewer, and drainage facilities, an additional 96 acres located within drainage easements and the present 100-year flood plain designation, and approximately 190 acres included in District plant sites, drainage rights-of-way, and parks and open space. Of such developable acreage, approximately 224 acres are owned by D.R. Horton, approximately 94 acres are owned by CET (hereinafter defined) and approximately 129 acres are owned by various entities, none of which have reported any development plans. See "THE DEVELOPERS AND MAJOR LANDOWNERS."

Community Facilities

The District is located immediately north of FM 1960, and various community facilities are located in the vicinity of the District and the FM 1960 area.

Fire protection is provided by the Spring Volunteer Fire Department, which operates a station adjacent to the District and contracts with Harris County Emergency Service District No. 7. Emergency medical services are provided by Cypress Creek EMS, which contracts with Harris County Emergency Services District No. 11.

The largest portion of the District is located in the Spring Independent School District, and a smaller portion of the District (approximately 387 acres) lies within Aldine Independent School District. Each school district provides school bus service to students who reside over two miles from their school campus. The District is located in the Lone Star College System, a community college, the closest campus of which is located approximately 3-1/2 miles south of the District. The Lone Star College System also conducts night classes in facilities of the various independent school districts within its boundaries.

The unincorporated community of Spring is located approximately two miles north of the District and includes numerous shopping and banking facilities. In addition, banks and various retail stores and restaurants are located at the intersection of IH 45 and FM 1960, approximately 6 miles southwest of the District. Numerous other commercial establishments are located along FM 1960 west of IH 45.

Law Enforcement Services

The District has entered into an interlocal contract with Harris County for supplementary law enforcement services provided by the Harris County Precinct Four Constable's office. The law enforcement program involves eight (8) to ten (10) deputies and two (2) sergeant supervisors, who spend at least 70% of their on-duty time on patrol in the District. The deputies patrol the District's parks and utility plant facilities as well as all residential and commercial areas of the District. The law enforcement services provided under the contract are in addition to services normally provided by other law enforcement agencies. The District pays for such supplementary law enforcement services with General Fund revenues.

Strategic Partnership Agreement

The District has entered into a Strategic Partnership Agreement with the City of Houston dated April 4, 2007, and amended on December 14, 2009, pursuant to which the City annexed certain land within the District for limited purposes. The annexed area only includes commercial development and land proposed or restricted for future development for commercial purposes. Pursuant to the agreement the City has agreed not to annex the residential areas of the District for up to 30 years, and the City will pay to the District one-half of sales and use taxes collected by the City within the annexed area. The District retains full responsibility to provide water, sanitary sewer and supplemental law enforcement service within the annexed area, and the City will not provide any municipal services within such area.

Pursuant to Texas law, the District is authorized to use sales and use tax revenues received from the City for any lawful purpose. None of the sales and use tax revenues is pledged toward payment of principal and interest on the Bonds.

MANAGEMENT

Board of Directors

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. Four of the directors reside within the District, and one director owns property within the District. Directors are elected by the voters within the District for four-year staggered terms. Directors' elections are held only in even numbered years. The Directors and officers of the District are listed below:

Name	Title	Term Expires
Daniel Meacham	President	May 2020
Robert B. Schenck	Vice President	May 2022
James F. Messer	Secretary	May 2022
A.F. "Bud" Gessel	Assistant Secretary	May 2020
Eric Langstaff	Director	May 2020

The District employs Director A.F. "Bud" Gessel to act as the Parks General Manager. The District has no other full time employees but instead contracts with the following entities for professional services:

Tax Assessor/Collector

Land and improvements in the District are appraised for ad valorem taxation purposes by the Harris County Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District to collect the District's taxes. Interstate Tax Management, Ltd is currently serving in this capacity for the District.

Bookkeeper

The District contracts with Myrtle Cruz, Inc. for bookkeeping services for the District.

System Operator

The District contracts with Hays Utility South Corporation for maintenance and operation of the District's system.

Engineer

The consulting engineer for the District in connection with the design and construction of the District's facilities is Van De Wiele & Vogler, Inc. (the "Engineer").

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audit is filed with the Commission. The District's audited financial statements for the year ended June 30, 2019, were prepared by the independent accounting firm of McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's June 30, 2019 audited financial statements.

Bond Counsel and General Counsel

Smith, Murdaugh, Little & Bonham, 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, Smith, Murdaugh, Little & Bonham, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

Disclosure Counsel

McCall, Parkhurst & Horton L.L.P., Houston, Texas has been engaged by the District to serve as Disclosure Counsel. Fees for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor

Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fee to be paid the Financial Advisor for services rendered in connection with the issuance of the Bonds is contingent upon sale and delivery of the Bonds.

THE DEVELOPERS AND MAJOR LAND OWNERS

Role of a Developer

In general, the activities of a developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. In most instances, a district will pay up to one hundred percent (100%) of the cost of water supply and storage and wastewater treatment plants, and will pay up to seventy percent (70%) of the cost of the water distribution, wastewater collection, and storm drainage facilities unless certain exceptions apply, in which case, the District may pay up to one hundred percent (100%) of such costs. While a developer is required by the Commission to pave streets in areas where district facilities are being financed with bonds, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

The Developers

Development activities in the District have been conducted by various developers who no longer own any developable land in the District. Development of newer single-family residential subdivisions where home building activity has occurred has been conducted by several entities. Pulte Homes of Texas L.P. has developed Spring Crossing, Sections 1 and 2, which contain 38 acres developed into 280 single-family residential lots. D.R. Horton Texas Ltd. has developed Park Spring, Sections 2, 3, 5, 6 and 7, which contain 114 acres developed into 489 single-family residential lots and Breckenridge West, Sections 1 and 2, which contain 40 acres developed into 196 single-family residential lots. Ravenwood Development Ltd., an affiliate of Supreme Builders Inc., has developed Park Spring, Sections 1 and 4, which contain 35 acres of land developed into 183 single-family residential lots. 301 Mercer Park Ltd. has developed Cypress Terrace, Sections 1 through 2, which contains 51 acres of land developed into 285 single-family residential lots. Maple Terrace Partners, Ltd. has developed Maple Terrace, which contains 27 acres developed into 122 single-family residential lots. Highland Glen, Ltd. has developed Highland Glen, Sections 1, through 4, which contains 84 acres of land developed into 341 single-family residential lots and construction is underway on approximately 15 acres for the development of 65 single-family residential lots in Highland Glen, Section 5 and completion is anticipated in the first quarter of 2020. Werrington Interests, Ltd. has developed Werrington, Section 1, which contains 72 acres of land developed into 384 single-family residential lots and Werrington Park, Section 2, which contains 9 acres of land being developed into 54 single-family residential lots. Werrington Interests, Ltd. also developed Werrington Park Sections 3, 4 and 5 (79 acres for development of 465 lots). L&E Boettcher Family Partnership, Ltd. has developed Arbor Trails, Sections 1 through 2, which contains 33 acres developed into 165 single-family residential lots. Arbor Trails 56, LLC, an affiliate of Greeneco Homes has developed Arbor Trails, Section 3, which contains 12 acres developed into 55 single-family residential lots.

D.R. Horton owns approximately 224 acres of undeveloped land in the District and CET Limited ("CET") or related entities own approximately 94 acres of undeveloped land in the District, both of which are available for future development. The District can make no representation when or whether any additional development will occur within the District.

Approximately 129 acres of remaining developable land in the District are owned by various entities, none of which has reported any development plans to the District.

THE SYSTEM

Regulation

According to the Engineer, the District's water supply and 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 entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. Operation of the System must be accomplished in accordance with the standards and requirements of such entities. 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 the Harris County Flood Control District, the City of Houston, Harris County, and, in some instances, the Commission. Harris County and the City of Houston 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 Supply

The District's water supply system consists of four water plants. These plants include four wells with combined capacity of 5,500 gallons per minute ("gpm"), ground storage tanks with combined capacity of approximately 1.56 million gallons, a 750,000 gallon elevated storage tank, hydropneumatic tanks with combined capacity of 81,560 gallons, and booster pumps of 11,900 gpm capacity. The District has adequate capacity to serve approximately 9,167 equivalent single-family connections. The District currently serves approximately 6,375 equivalent single-family connections. According to the Engineer, the District's water supply facilities should be adequate to serve all the land within the District at full development, assuming present regulatory criteria and current land use assumptions.

The District's water supply system is interconnected with the water systems of Harris County Municipal Utility District No. 82, Inverness Forest Improvement District, Harris County Water Control and Improvement District No. 136 and Memorial Hills Utility District to provide an emergency water supply for each of the districts.

Subsidence and Conversion to Surface Water Supply

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater from its wells is subject to annual permits issued by the Subsidence District. On April 14, 1999 the Subsidence District adopted a Regulatory Plan (the "1999 Plan") to reduce groundwater withdrawal through conversion through surface water in areas within the Subsidence District's jurisdiction. Under the 1999 Plan, the District was required to have a groundwater reduction plan ("GRP") approved by the Subsidence District by January 2003 and begin construction of surface water conversion infrastructure by January 2005, or pay a disincentive fee for any groundwater withdrawn in excess of 20% of the District's total water demand.

The North Harris County Regional Water Authority (the "Authority") has been created to provide a regional entity to build and operate necessary surface water facilities to meet the Subsidence District's requirements for reduction of groundwater pumpage and conversion of the water supply to surface water within the boundaries within the Authority. The District is included within the Authority.

The Authority has entered into a water supply contract with the City of Houston to purchase treated surface water for use within the Authority, and the Authority obtained Subsidence District approval of a groundwater reduction plan that is applicable to all groundwater permit holders, including the District within the Authority. The District thereby came into compliance within the Subsidence District's requirements to have a GRP.

The Authority obtains funds for its operations and debt service on bonds issued to construct surface water supply facilities by assessment of a groundwater pumpage fee on all permit holders within the Authority, including the District. Effective April 1, 2019, the current pumpage fee is $3.85 per 1,000 gallons of groundwater pumped and is expected to be increased in the future. The District passes the groundwater pumpage fees through to its customers. The District cannot predict the magnitude of fees and charges that may be due to the Authority in the future.

The Authority has constructed water transmission lines to deliver treated surface water to districts and other large water users in north Harris County. The Authority has, to date, issued $1,190,275,000 of revenue bonds to fund costs of the surface water system. It is expected that the Authority will issue substantially more bonds by the year 2030 to finance the Authority's project costs.

When the Authority's water transmission system is in place adjacent to the District, the District will be required to purchase and receive treated surface water for some or all of the District's water supply requirements. In such event, the District must convert its disinfection system from chlorine disinfection to chloramine disinfection. The cost of this conversion would be financed through the issuance of District bonds or the use of operating funds. The District can make no representation as to when such improvements will be needed or the cost of such improvements.

Wastewater Treatment Facilities

The District owns and operates a 2.25 million gallons per day ("mgd") wastewater treatment plant, which, according to the Engineer, is capable of providing service for up to 7,500 single-family equivalent connections assuming current regulatory criteria. Full build out of the District will require an expansion of the facility up to the permitted final phase of 2.65 mgd. The District presently provides service to approximately 6,375 equivalent single-family connections.

Drainage and Storm Water Detention Facilities

Storm drainage in older sections of the District is provided through a system of underground storm sewer lines that outfall into drainage channels and facilities of the Harris County Flood Control District ("HCFCD").

Drainage in new subdivisions is provided through storm water detention ponds that are designed to HCFCD criteria to detain storm water for release at a rate at or below the storm water runoff rate of the property in an undeveloped state. The District has accepted the responsibility for maintenance of nine detention ponds having a total area of approximately 65 acres, and the District engages a contractor to provide ongoing surveillance, maintenance and repairs of the detention facilities.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, approximately 193 acres within the District are located within the current 100-year flood plain, as designated by the most recent Federal Emergency Management Agency ("FEMA") Flood Insurance Rate Panels, dated October 16, 2013. The areas within the 100-year flood plain are owned by various entities and include portions of several developments. A breakdown of the areas within the 100-year flood plain is as follows:

Timber Lane Subdivision: There are 46 lots on approximately 3.1 acres located partially within the 100-year flood plain. These lots are located along the southern edge of the subdivision. There is no plan to remove these lots from the official flood plain.

Arbor Trails Subdivision: There are 51 lots on approximately 6.4 acres located partially within the 100-year flood plain. There is no plan to remove these lots from the official flood plain. There were 30 lots located within the 100 year flood plain in Section Three that were removed from the 100 year flood plain by FEMA Letter of Map Revision ("LOMR") Case No. 18-06-317P. An additional 28.5 acres of the subdivision is located entirely within the 100-year flood plain. This acreage consists of a detention pond, drainage ditch and future lots. The future lots will be removed from the 100-year flood plain by a LOMR that will be submitted to FEMA for approval when they are developed in the future.

Cypress Terrace Subdivision: There are 138 lots on approximately 13 acres located partially or entirely within the 100-year flood plain. There is no plan to remove these lots from the official flood plain.

Highland Glen Subdivision: Approximately 8.1 acres of the Highland Glen Subdivision is shown to be in the 100-year flood plain per the FEMA Flood Insurance Rate Maps ("FIRMs"). Eight lots on approximately 1 acre have been removed from the 100-year flood plain by a LOMR approved by FEMA in 2016. A LOMR to remove approximately 2.4 acres within Highland Glen, Section Four from the 100 year floodplain was approved by FEMA LOMR Case No. 17-06-4282P. The remaining 4.7 acres are located in a detention pond and other non-residential reserves.

The finished floor elevations of the existing residential structures on the aforementioned lots are located above the 100-year flood plain. However, approximately 1,100 residential structures sustained flood damage during Hurricane Harvey. See "INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey."

The remaining 133.9 acres within the flood plain consist of existing drainage facilities such as detention ponds, Cypress Creek, Schultz Gulley and other unnamed HCFCD ditches, as well as land owned by HCFCD.

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

Use and Distribution of Bond Proceeds

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, $1,824,646 is for construction costs, and $375,354 is for non-construction costs.

CONSTRUCTION COSTS		
Water, wastewater and drainage to serve Arbor Trails, Section Three……………………	$	399,230
Water, wastewater and drainage to serve Highland Glen, Section Four…………………		314,251
Storm Water Pollution Prevention Plan to Serve Highland Glen, Section Four…………		26,034
Drainage Improvements………………………………………………………………		650,000
Land Acquisition Costs for Arbor Trails Detention Pond…………………………………		53,725
Engineering…………………………………………………………………………………		316,406
Contingencies………………………………………………………………………………		65,000
Total Construction Costs……………………………………………………………	**$**	**1,824,646**
NON-CONSTRUCTION COSTS		
Legal Fees…………………………………………………………………………………	$	77,000
Financial Advisory Fees………………………………………………………………		44,000
Developer Interest………………………………………………………………………		105,750
Bond Discount (a)………………………………………………………………………		26,865
Bond Issuance Expenses………………………………………………………………		51,904
Bond Application Report………………………………………………………………		45,000
TCEQ Fee (0.25%)………………………………………………………………………		5,500
Attorney General Fee (0.10%)…………………………………………………………		2,200
Contingency (a)…………………………………………………………………………		17,136
Total Non-Construction Costs………………………………………………………	**$**	**375,354**
TOTAL BOND ISSUE……………………………………………………………………	**$**	**2,200,000**

(a) In its order approving the Bonds, the Commission directed that any surplus bond proceeds resulting from the sale of the Bonds at a lower Bond discount than that proposed, shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval by the Commission.

DISTRICT PARKS AND RECREATIONAL FACILITIES

Existing

The District contracted with the Texas A&M University College of Architecture, Department of Landscape Architecture and Urban Planning, for preparation of master plans in 2005-2007, 2014, 2015 and 2018 for a series of parks and trails that will connect recreational facilities within the District and will become a part of a Master Greenway Project (Cypress Creek Greenway) along Cypress Creek in north Harris County. The District is financing the parks and trails with proceeds from recreational facilities bonds, surplus operating revenues, and with grants from the Texas Parks & Wildlife Department ("TPWD") and other state and local agencies.

On May 12, 2007 voters in the District authorized $6,000,000 principal amount of unlimited tax bonds for the District to finance recreational facilities for the benefit of the District. The District issued an aggregate of $6,000,000 principal amount of recreational facilities bonds in three series. The improvements proposed to be financed, constructed and operated by the District include walks, trails, greenbelts, vegetation, pedestrian bridges, restrooms, ponds, water features, pavilions, play areas, shade structures, picnic tables fishing piers, skate board parks, splash pad, observation decks, beach, dog park, pump track, exercise stations, disc golf course, volley ball court, baseball field, soccer fields and a community center.

The District has constructed and operates a variety of parks and recreational facilities for the use and benefit of residents of the District and the public. The District's parks have been constructed using a variety of funding sources including surplus operating funds, proceeds from the District's Unlimited Tax Recreational Facilities Bonds, Series 2010 (the "Series 2010 Recreational Facilities Bonds"), Unlimited Tax Recreational Facilities Bonds, Series 2014A (the "Series 2014A Recreational Facilities Bonds"), Unlimited Tax Recreational Facilities Bonds, Series 2018 (the "Series 2018 Recreational Facilities Bonds") and grants from various entities. The District's parks and recreational facilities include: (1) Timber Lane Park, financed in 1994, on approximately 12 acres, containing a one-half mile concrete walking/jogging path, an athletic field with baseball backstop that is suitable either for baseball or soccer, a children's playground with swings, a slide and play structures, disc golf course, a picnic area with picnic tables and barbeque grills and men and women restrooms; (2) Liberty Park, financed in 2003, on approximately 4 acres, containing a walking/jogging trail with fitness stations, a covered picnic pavilion, men and women restrooms and a community meeting building; (3) Spring Community Playground, a community-built playground located within Liberty Park containing playground structures, swings, a climbing wall and a tot- lot for children ages 5 and under; (4) Sandpiper Park, financed in 2007, on approximately 37 acres, consisting of paved parking, restrooms, picnic area, hiking and biking trails and a fishing pond; (5) Cypress Creek Bicycle and Pedestrian Trails, financed in 2010, consisting of a network of unpaved trails along Cypress Creek on approximately 70 acres with trailheads and access from the Timber Lane Subdivision; (6) Herman Little Park, financed in 2012, on approximately 55 acres, consisting of a canoe ramp, fishing pond, natural playscape, exercise stations, soccer fields, skate park, parking, restrooms, pavilion, picnic areas, utilities and approximately 3,700 linear feet of unpaved jogging and hiking trails; (7) Cypress Creek Park at Timber Lane initial phase financed in 2013 and included acquisition of approximately 80 acres of land, unpaved parking, playground, skateboard park, fishing piers, boat house, 2 pavilions, picnic areas, beach, wetland observation decks, landscaping, utilities, paved parking, restrooms and approximately 3,600 linear feet of unpaved trails. It also includes a paved trail segment to connect the Cypress Creek Hike and Bike Trail to the adjacent subdivisions.

Timber Lane Park Expansion: The District expended a portion of proceeds from its Series 2014A Recreational Facilities Bonds along with a TPWD Outdoor Recreation Grant to purchase 43 acres for Cypress Creek Park and construct a pedestrian bridge, pump track, a splash pad and to expand the parking lot. This project was completed September 2016.

Texas Department of Transportation's Transportation Improvement Program ("TIP") for Bridges and Paved Trails (Cypress Creek Trail Between Rambling Brook Drive and Timber Lane Park): Consists of an approximate $4,900,000 project with the District providing 20% of the funding for preliminary architectural and engineering services and construction of 11,500 linear feet of paved hike and bike trails, benches, lighting, and two (2) bridges adjacent to Cypress Creek, with financing of 20% of costs partially from the District's Series 2010 Recreational Facilities Bonds, from portions of the District's Series 2014A Recreational Facilities Bonds, and from contributions from Harris County and other available District funds. This project was completed in 2016.

TIP – Trail Head 8 Extension: The District expended a portion of proceeds from its Series 2014A Recreational Facilities Bonds and surplus general operating funds to construct a paved trail extension from the TIP trail to Rambling Brook Drive at Deasa Drive. This project was completed in 2016.

On-going Projects

Projects that are currently in the engineering design phase or under construction using available District funds and/or proceeds from the District's Series 2014A or Series 2018 Recreational Facilities Bonds include:

Timber Lane Utility District Trail – Cypress Creek Park to Herman Little Park: The District will expend a portion of proceeds from its Series 2014A Recreational Facilities Bonds to extend the trail system between Timber Lane Park and Herman Little Park. The bridge portion is complete, and the paving portion is in the engineering phase.

Timber Lane Utility District Trail – Pedestrian Grade Separation Crossing with Union Pacific Railroad: The District will expend a portion of proceeds from its Series 2014A Recreational Facilities Bonds to extend the trail system between Timber Lane Park and Herman Little Park. This project is in the construction phase.

Timber Lane Utility District Community Center: The District will expend a portion of proceeds from its Series 2018 Recreational Facilities Bonds to build a Community Center in Cypress Creek Park along with an Indoor Recreation Grant from TPWD. This project is in the construction phase.

Timber Lane Utility District Trail- Paving Extension: The District will expend a portion of general funds to match a TPWD Trails Grant to pave an existing trail between Cypress Creek Park and Herman Little Park. This project is in the design phase.

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FINANCIAL STATEMENT

2019 Taxable Assessed Valuation	$868,764,545	(a)
Estimated Taxable Assessed Valuation as of November 15, 2019	$875,671,036	(b)
Direct Debt:		
Outstanding Bonds (as of December 1, 2019)	$51,530,000	(c)
Plus: The Bonds	2,200,000	
Gross Direct Debt Outstanding	$53,730,000	
Ratios of Gross Direct Debt to:		
2019 Taxable Assessed Valuation	6.18%	
Estimated Taxable Assessed Valuation as of November 15, 2019	6.14%	

Area of District – 2,112 Acres
Estimated 2019 Population – 21,836 (d)

(a) The Harris County Appraisal District (the "Appraisal District") has certified $862,522,117 of taxable value and an additional $6,242,428 of taxable value remains uncertified. The uncertified value is the landowners' opinion of the value; however such value is subject to review and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See "TAX PROCEDURES."

(b) As estimated by the Appraisal District as of November 15, 2019, for informational purposes only. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and therefore this estimate will not be the basis for any tax levy by the District. The 2019 Certified Taxable Assessed Valuation provided by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2019 to November 15, 2019. See "TAX PROCEDURES."

(c) See "Outstanding Bonds" herein.

(d) Estimate based on 3.5 persons per occupied home and 2 persons per apartment unit.

Cash and Investment Balances (unaudited as of December 12, 2019)

Capital Projects Fund	Cash and Temporary Investments	$6,769,042
Operating Fund	Cash and Temporary Investments	$8,341,087
Debt Service Fund	Cash and Temporary Investments	$2,775,152 (a)
Park Fund	Cash and Temporary Investments	$1,198,434

(a) Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund.

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Investment Policies and Procedures

The policy of the District is to invest District funds only in instruments which further the following investment objectives of the District stated in order of importance: (1) preservation and safety of principal; (2) liquidity; and (3) yield. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District's portfolio.

Outstanding Bonds

Series		Original Principal Amount	Outstanding Bonds (as of 12/1/19)
2010	(a)	$ 1,200,000	$ 565,000
2012	(b)	9,535,000	795,000
2013	(b)	9,310,000	4,405,000
2014		1,800,000	1,675,000
2014A	(a)	1,700,000	1,200,000
2014B	(b)	6,205,000	4,590,000
2015	(b)	8,965,000	8,275,000
2015A		6,100,000	5,300,000
2016		6,250,000	5,500,000
2018	(a)	3,100,000	3,000,000
2018A		6,600,000	6,375,000
2019	(b)	9,850,000	9,850,000
Total		$ 70,615,000	$ 51,530,000

(a) Unlimited tax recreational facilities bonds.
(b) Unlimited tax refunding bonds.

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ESTIMATED OVERLAPPING DEBT STATEMENT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service, and the tax burden for operation, maintenance and/or general revenue purposes of these overlapping political subdivisions is not included in these figures. The following table reflects the estimated share of overlapping Tax Debt of the District.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Harris County (a)	$ 1,885,182,125	11/30/2019	0.18%	$ 3,393,328
Harris County Flood Control District	83,075,000	11/30/2019	0.18%	149,535
Harris County Department of Education	6,320,000	11/30/2019	0.18%	11,376
Harris County Hospital District	57,300,000	11/30/2019	0.18%	103,140
Port of Houston Authority	572,569,397	11/30/2019	0.18%	1,030,625
Spring Independent School District	710,180,000	11/30/2019	3.99%	28,336,182
Aldine Independent School District (b)	1,052,075,000	11/30/2019	0.78%	8,206,185
Lone Star College District	579,645,000	11/30/2019	0.41%	2,376,545
Total Estimated Overlapping Debt				$ 43,606,915
The District	53,730,000 (c)	11/30/2019	100.00%	53,730,000
Total Direct and Estimated Overlapping Debt				$ 97,336,915

Direct and Estimated Overlapping Debt as a Percentage of:

2019 Taxable Assessed Valuation of $868,764,545	11.20%
Estimated Taxable Assessed Valuation as of November 15, 2019 of $875,671,036	11.12%

(a) The Harris County Toll Road Bonds are considered self-supporting and are not included in this amount.
(b) Approximately 387 acres within the District overlaps with Aldine Independent School District.
(c) Includes the Bonds.

Overlapping Tax Rates for 2019

	2019 Tax Rate per $100 of Taxable Assessed Valuation
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority	$ 0.616700
Spring Independent School District (a)	1.430000
Harris County ESD No. 7	0.099390
Harris County ESD No. 11	0.034707
Lone Star College System	0.107800
Total Overlapping Tax Rate	$ 2.288597
The District	0.890000
Total Tax Rate	$ 3.178597 (a)

(a) Approximately 387 acres within the District lies within Aldine Independent School District, which set its 2019 tax rate at $1.347115 per $100 of taxable assessed valuation, creating a total tax rate for taxpayers in this area of $3.095712 per $100 of taxable assessed valuation.

TAX DATA

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 these records for further and more complete information.

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of November 30, 2019 (a) Amount	Percent
2014	$ 486,905,393	$ 1.010	$ 4,917,744	$ 4,908,353	99.81%
2015	584,705,921	0.950	5,554,706	5,538,816	99.71%
2016	678,629,714	0.915	6,209,462	6,185,047	99.61%
2017	759,461,020	0.915	6,949,068	6,910,921	99.45%
2018	767,647,466	0.915	7,023,974	6,968,908	99.22%
2019	868,764,545	0.890	7,732,004	(b)	(b)

(a) Unaudited.
(b) In process of collection.

Taxes are due October 1 and are delinquent after January 31 of the following year. No split payments are allowed, and no discounts are allowed.

Tax Rate Distribution

	2019	2018	2017	2016	2015
Debt Service	$ 0.510	$ 0.560	$ 0.595	$ 0.580	$ 0.610
Maintenance and Operations	0.380	0.355	0.320	0.335	0.340
Total	$ 0.890	$ 0.915	$ 0.915	$ 0.915	$ 0.950

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance: $0.50 per $100 of taxable assessed valuation.

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. For the 2019 tax year, the District levied a debt service tax at the rate of $0.51 per $100 of taxable assessed valuation. See "Tax Rate Distribution" herein.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Pursuant to an election held on August 12, 2000, the Board was authorized to levy such a maintenance tax in an amount not to exceed $0.50 per $100 assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds, the Bonds and any additional tax bonds which may be issued in the future. The District levied a maintenance tax for 2019 in the amount of $0.38 per $100 of taxable assessed valuation. See "Tax Rate Distribution" herein.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District has not exempted any percentage of the market value of any residential homesteads from taxation since its inception, but does grant an exemption of $25,000 of assessed valuation for homesteads of persons 65 years of age or older and for certain disabled persons.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Property Tax Code.

Principal Taxpayers

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the 2019 certified tax roll ($862,522,117) which reflects ownership at January 1, 2019. Principal taxpayer lists related to the uncertified portion ($6,242,428) of the 2019 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of November 15, 2019 ($875,671,036), which are subject to review and downward adjustment prior to certification, are not available from the Appraisal District.

Taxpayer	Type of Property	2019 Certified Taxable Assessed Valuation	% of 2019 Certified Taxable Assessed Valuation
American Homes 4 Rent	Single-Family Residential	$ 16,225,985	1.88%
Wal-Mart Real Estate	Retail	9,988,933	1.16%
Camillo A 1 Propery Owner LLC	Single-Family Residential	9,624,757	1.12%
SFR JV 1 Property LLC	Single-Family Residential	7,675,350	0.89%
Urban Trailing Vine LLC	Multi-Family	7,500,000	0.87%
SRP SUB LLC	Single-Family Residential	7,496,174	0.87%
Progress Residential 2015 3	Single-Family Residential	7,456,614	0.86%
Quail Creek Apartments LP etal	Multi-Family	7,386,177	0.86%
Cerberus SFR Holdings LP	Single-Family Residential	7,018,798	0.81%
Timber Run Limited Partnership	Multi-Family	6,293,759	0.73%
Total		$ 86,666,547	9.98%

Summary of Assessed Valuation

The following summary of the 2019, 2018 and 2017 Taxable Assessed Valuations is provided by the District's Tax Assessor/Collector based on information contained in the 2019, 2018 and 2017 tax rolls of the District. Breakdowns of the uncertified portion of the 2019 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of November 15, 2019 are not available from the Appraisal District. Information in this summary may differ slightly from the assessed valuations shown herein due to differences in dates of data.

	2019 Taxable Assessed Valuation	2018 Taxable Assessed Valuation	2017 Taxable Assessed Valuation
Land	$ 162,173,497	$ 161,595,373	$ 157,239,102
Improvements	711,029,109	628,512,446	617,200,105
Personal Property	78,654,426	34,637,926	33,648,229
Exemptions	(89,334,915)	(57,098,279)	(50,377,714)
Uncertified	6,242,428	-	-
Total	$ 868,764,545	$ 767,647,466	$ 757,709,722

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2019 Taxable Assessed Valuation of $868,764,545 and the Estimated Taxable Assessed Valuation as of November 15, 2019 of $875,671,036, and a debt service tax rate necessary to pay the District's average annual and maximum annual debt service requirements on the District's Outstanding Bonds and the Bonds assuming tax collections of ninety-five percent (95%). See "DEBT SERVICE REQUIREMENTS" and "INVESTMENT CONSIDERATIONS—Impact on District Tax Rates."

Average Annual Debt Service Requirement (2020-2040)	$3,349,490
$0.41 Tax Rate on the 2019 Taxable Assessed Valuation of $868,764,545 @ 95% tax collections produces	$3,383,838
$0.41 Tax Rate on Estimated Taxable Assessed Valuation as of November 15, 2019 of $875,671,036 @ 95% tax collections produces	$3,410,739
Maximum Annual Debt Service Requirement (2021)	$4,604,944
$0.56 Tax Rate on the 2019 Taxable Assessed Valuation of $868,764,545 @ 95% tax collections produces	$4,621,827
$0.56 Tax Rate on Estimated Taxable Assessed Valuation as of November 15, 2019 of $875,671,036 @ 95% tax collections produces	$4,658,570

No representations or suggestions are made that the Estimated Taxable Assessed Valuation as of November 15, 2019 provided by the Appraisal District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAX PROCEDURES."

TAX PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS— Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully herein under "THE BONDS—Source and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See "TAX DATA—Maintenance Tax."

Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Tax Code are complex and are not fully summarized here.

The Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Harris County Appraisal District has the responsibility for appraising property for all taxing units within Harris County, including the District. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board").

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five years or older and of certain disabled persons to the extent deemed advisable by the Board. For tax year 2019, the District has adopted a residential homestead exemption in the amount of $25,000 for persons age 65 and older and disabled persons. Additionally, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 depending on the disability rating of the veteran. 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 the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also 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. See "TAX DATA."

Residential Homestead Exemptions: The Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than $5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has not granted a general homestead exemption.

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

Tax Abatement

Harris County or the City of Houston (if it were to annex the District) may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County, the District, and the City of Houston, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 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 the terms of the tax abatement. Each taxing jurisdiction has discretion to determine certain terms for its tax abatement agreements without regard to such terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Tax Code.

Nevertheless, certain land may be appraised at less than market value under the Tax Code. Constitutional provisions limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The 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. Provisions of the Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the 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 while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

The Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

Pursuant to a Constitutional Amendment passed November 5, 2019, effective January 1, 2020, individuals in an area declared to be a disaster area by the Governor may apply for a temporary tax exemption for qualified property.

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Tax Code. The Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District’s tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

Reappraisal of Property after Disaster

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

Rollback of Operation and Maintenance Tax Rate

Under current law, the qualified voters of the District have the right to petition for a rollback of the District’s operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year’s debt service and contract tax rates plus 1.08 times the previous year’s operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

Special Taxing Units

Special Taxing Units that adopt a total tax rate that would impose more than1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts

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

Developing Districts

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

The District

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

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, among other collection methods available, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes". 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 cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS."

The Effect of FIRREA on Tax Collections of the District

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

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

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

WATER AND SEWER OPERATIONS

General

The Bonds and the Outstanding 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. Net revenues, if any, derived from the operation of the District's water and sewer operations are not pledged to the payment of the Bonds and the Outstanding Bonds but are available for any lawful purpose including payment of debt service on the Bonds and the 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 and the 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 Operating 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 2015 through 2019. Reference is made to such statements for further and complete information.

	Fiscal Year Ended June 30				
	2019	2018	2017	2016	2015
REVENUES					
Property Taxes	$ 2,736,182	$ 2,433,906	$ 2,675,390	$ 1,921,526	$ 1,442,585
Water & Wastewater Service	2,700,165	2,695,398	2,240,896	2,750,503	2,559,839
Sales Tax Revenues	131,058	142,491	144,399	144,262	134,393
Regional Water Authority Fees	1,718,757	1,480,887	1,309,670	1,118,312	925,514
Penalty and Interest	193,719	151,615	173,243	182,268	167,530
Tap Connection and Inspection Fees	82,673	104,056	680,430	322,715	505,941
Investment Revenues	159,782	65,347	13,199	9,165	7,243
Grant and FEMA Revenues	85,786	-	-	-	-
Miscellaneous Revenues	172,381	117,260	205,245	228,645	260,506
Total Revenues	$ 7,980,503	$ 7,190,960	$ 7,442,472	$ 6,677,396	$ 6,003,551
EXPENDITURES					
Professional Fees	$ 250,942	$ 331,748	$ 355,695	$ 240,643	$ 227,901
Contracted Services	1,313,708	1,244,014	1,159,782	1,125,697	968,823
Utilities	322,119	329,770	308,209	315,211	302,494
Regional Water Authority Assessment	1,839,346	1,484,951	1,339,113	1,084,206	922,062
Repairs and Maintenance	1,395,551	1,438,509	1,928,926	1,329,238	1,133,195
Other	713,462	671,404	751,505	784,715	833,243
Capital Outlay	895,453 (e)	899,047 (d)	646,485 (a)	510,420 (b)	66,029
Total Expenditures	$ 6,730,581	$ 6,399,443	$ 6,489,715	$ 5,390,130	$ 4,453,747
NET REVENUES	$ 1,249,922	$ 791,517	$ 952,757	$ 1,287,266	$ 1,549,804
Fund Balance					
Beginning of Year	$ 8,389,197	$ 7,597,680	$ 6,644,923	$ 4,836,845	$ 3,299,525
OTHER SOURCES (USES)					
Transfers In (Out)	-	-	-	40,270	(12,484) (c)
Contributed by Other Governmental Unit	48,173	-	-	-	-
Developer Contributions	-	-	-	480,542	-
Fund Balance					
End of Year	$ 9,687,292	$ 8,389,197	$ 7,597,680	$ 6,644,923	$ 4,836,845

(a) Capital outlay consists of land acquisition for a recreational building, sanitary sewer rehabilitation, Water Plant No. 3 rehabilitation, construction of two pedestrian bridges and storm water quality feature modifications. A portion of such capital expended for land acquisition in the approximate amount of $402,013 will be reimbursed with proceeds from recreational facilities bonds previously issued.
(b) Capital outlay consists of construction and engineering related to offsite utilities to serve the Walmart Neighborhood Market.
(c) Reimbursement to the District's Capital Projects fund for checks paid by the Capital Projects Fund in error.
(d) Capital outlay consists of sewer system maintenance and improvements.
(e) Capital outlay consists of the District's share of the TIP grant for Cypress Creek Bridge & Trails, Ultra Violet System replacement, and storm sewer outfall replacement.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds and the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds Principal	Interest	Total	Total Debt Service Requirements
2020	$ 4,536,485	$ -	$ 26,500	$ 26,500	$ 4,562,985
2021	4,451,944	100,000	53,000	153,000	4,604,944
2022	4,402,644	100,000	50,000	150,000	4,552,644
2023	4,364,781	100,000	47,000	147,000	4,511,781
2024	4,319,819	100,000	44,000	144,000	4,463,819
2025	4,163,869	100,000	41,000	141,000	4,304,869
2026	4,130,469	100,000	38,000	138,000	4,268,469
2027	4,118,919	100,000	36,000	136,000	4,254,919
2028	4,109,594	100,000	34,000	134,000	4,243,594
2029	4,062,719	100,000	32,000	132,000	4,194,719
2030	4,049,944	100,000	30,000	130,000	4,179,944
2031	3,213,613	100,000	28,000	128,000	3,341,613
2032	3,127,688	100,000	25,875	125,875	3,253,563
2033	3,094,375	125,000	23,750	148,750	3,243,125
2034	2,128,875	125,000	20,938	145,938	2,274,813
2035	1,844,344	125,000	18,125	143,125	1,987,469
2036	1,789,063	125,000	15,313	140,313	1,929,375
2037	1,483,438	125,000	12,344	137,344	1,620,781
2038	1,438,688	125,000	9,375	134,375	1,573,063
2039	1,392,625	125,000	6,250	131,250	1,523,875
2040	1,320,813	125,000	3,125	128,125	1,448,938
Total	$ 67,544,704	$ 2,200,000	$ 594,594	$ 2,794,594	$ 70,339,298

Maximum Annual Debt Service Requirement (2021).......... $4,604,944
Average Annual Debt Service Requirement (2020-2040).......... $3,349,490

INVESTMENT CONSIDERATIONS

General

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 entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Security and Source for Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies and Bankruptcy Limitations" below.

Recent 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 has experienced four storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

According to the District's Engineer, the District's wastewater treatment facility sustained some damage to the ultraviolet disinfection system requiring replacement. Additionally, six lift stations were damaged and have been repaired. Approximately 1,100 of the 5,953 homes within the District and three commercial properties sustained flood damage. The District also sustained damage to some of its park and recreational facilities, which have been repaired. The District has submitted claims to FEMA and insurance for reimbursement, some of which are pending payment.

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.

Economic Factors and Interest Rates

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

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 20 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A decline in the nation's real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth or reduce the value of the District's property tax base.

Competition

The demand for and construction of single-family homes in the District, which is approximately 20 miles from downtown Houston, could be affected by competition from other residential developments in the northern portion of the Houston area market. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of builders in the sale of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the current developers of land in the District will be implemented or, if implemented, will be successful.

Undeveloped Acreage

There are approximately 447 developable acres of land within the District that have not been fully provided with water, wastewater, storm drainage, and detention facilities. The District makes no representation as to when or if development of this acreage will occur. See "THE DISTRICT—Land Use."

Development and Home Construction in the District

As of December 12, 2019, approximately 262 developed lots remained vacant. Future increases in value will result primarily from the construction of homes by builders.

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 2019 Taxable Assessed Valuation of the District (see "FINANCIAL STATEMENT") is $868,764,545. After issuance of the Bonds, the maximum annual debt service requirement will be $4,604,944 (2021) and the average annual debt service requirement will be $3,349,490 (2020-2040). Assuming no increase or decrease from the 2019 Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of $0.56 per $100 taxable assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $4,604,944 and a tax rate of $0.41 per $100 taxable assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of $3,349,490 (see "DEBT SERVICE REQUIREMENTS"). The Estimated Taxable Assessed Valuation as of November 15, 2019, which is subject to review and downward adjustment prior to certification, within the District is $875,671,036. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of November 15, 2019, and a 95% collection rate, tax rates of $0.56 and $0.41 per $100 taxable assessed valuation would be necessary to pay the maximum annual debt service requirement and average annual debt service requirement, respectively.

Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2019 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of November 15, 2019, the District can make no representations regarding the future level of assessed valuation within the District. Increases in taxable values depend primarily on the continuing construction and sale of taxable improvements within the District. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service." No representations or suggestions are made that the Estimated Taxable Assessed Valuation as of November 15, 2019 for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAX PROCEDURES."

Future Debt

The District has reserved in the Bond Order the right to issue the remaining $26,000,000 principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and $20,542,369.02 principal amount of unlimited tax bonds for refunding purposes. The future issuance of additional obligations may adversely affect the security for the Bonds and the investment quality and value of the Bonds. The District does not employ any formula with respect to assessed valuation or tax collections and does not otherwise limit the amount of additional bonds or other obligations which may be issued. The issuance of additional unlimited tax bonds (other than refunding bonds), if any, however, is subject to approval by the Commission under guidelines of feasibility established by the Commission. See "THE BONDS—Authority for Issuance," "—Issuance of Additional Debt" and "THE DISTRICT—General."

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 taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by cumbersome, time-consuming and expensive collection procedures or market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "ESTIMATED OVERLAPPING DEBT STATEMENT"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem homestead and agricultural use property within two years of foreclosure and other types of property within six months after foreclosure). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed 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.

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. 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 is (1) 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 Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission 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.

A district may not be forced 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."

Marketability

The District has no agreement with the Initial Purchaser 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.

Environmental Regulation

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

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

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

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

The HGB Area is currently designated as a severe ozone nonattainment area under the 1997 Ozone Standards. 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 has developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB Area redesignation request under the 1997 Ozone Standards on September 5, 2018.

The HGB Area is currently designated as a "moderate" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

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

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

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

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

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

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

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

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

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

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal will officially become final sixty days after its publication in the Federal Register.

On December 11, 2018, the EPA and USACE released a proposed replacement definition of "waters of the United States." The proposed definition outlines six categories of waters that would be considered "waters of the United States," including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not "waters of the United States," such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies took comments on the proposal for 60 days after publication in the Federal Register, which occurred on February 14, 2019, but the proposed rule has not been finalized.

Due to the pending rulemaking activity, 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.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Initial Purchaser 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 bond insurer (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 Initial Purchaser 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. See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

LEGAL MATTERS

Legal Opinion

The District will furnish the Initial Purchaser a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax levied without limitation as to rate or amount upon all taxable property within the District. The District also will furnish the approving legal opinion of Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel to the District ("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 the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application affecting rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property located within the District and that interest on the Bonds is excludable from gross income for federal income tax purposes under existing laws subject to the matters described under the caption which follows entitled "TAX MATTERS."

Legal Review

In its capacity as Bond Counsel, Smith, Murdaugh, Little & Bonham, L.L.P. has reviewed the information appearing in this Official Statement under the captions "THE BONDS," "THE DISTRICT—General," "TAX PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" to determine whether such information fairly summarizes the procedures, law and documents referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore, such fees are contingent on the sale and delivery of the Bonds. Bond Counsel acts as general counsel for the District on matters other than the issuance of bonds.

No-Litigation Certificate

The District will furnish to the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

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

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel 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, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. 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 Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond 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. 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 Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Discount Bonds

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof, or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Federal Income Tax Accounting Treatment of Premium Bonds

The initial public offering price of certain Bonds (the "Premium Bonds") is greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning Premium Bonds.

Collateral Federal Income Tax Consequences

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

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

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.

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.

Not Qualified Tax-Exempt Obligations for Financial Institutions

The Bonds are not designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986.

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 its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. Moody's has assigned a credit rating of "A2" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007.

There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by S&P or Moody's, 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.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as 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, 2019, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $552.8 million, $130.8 million and $422.1 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 buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. 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.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by Robert W. Baird & Co., Inc. (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of $2,173,135.50, representing 98.7789% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 2.446686% as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any time by the Initial Purchaser 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 Initial Purchaser may over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those that 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 utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

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; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

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 Developer, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from certain other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District 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 engaged 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, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. 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" - Van De Wiele & Vogler, Inc. ("Engineer") and Records of the District ("Records"); "THE SYSTEM" - Engineer; "FINANCIAL STATEMENT" - Harris County Appraisal District and Records; "ESTIMATED OVERLAPPING DEBT STATEMENT" - Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" – Harris County Appraisal District and Interstate Tax Management, Ltd; "MANAGEMENT OF THE DISTRICT" - District Directors; "WATER AND SEWER OPERATIONS" - Records; "DEBT SERVICE REQUIREMENTS" - Financial Advisor; "THE BONDS" "THE DISTRICT—General," "TAX PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" - Smith, Murdaugh, Little & Bonham, L.L.P.

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.

Consultants

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants.

Appraisal District: The information contained in this Official Statement relating to the relating to the historical breakdown of the District's assessed value and sections entitled "TAX DATA—Summary of Assessed Valuation" and "—Principal Taxpayers" has been provided by the Harris County Appraisal District and has been included herein in reliance upon the authority of such entity as an expert in appraising the values of property in Harris County, including the District.

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical tax collections of the District's and particularly the section entitled "TAX DATA—Tax Collections" has been provided by Interstate Tax Management, Ltd and is included herein in reliance upon the authority of Interstate Tax Management, Ltd as an expert in assessing and collecting taxes.

Engineer: The information contained in this Official Statement relating to engineering and to the description of the District's water and sewer system and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Van De Wiele & Vogler, Inc., and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

Auditor: The District's audited financial statements for the year ended June 30, 2019, were prepared by the independent accounting firm of McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's June 30, 2019 audited financial statements.

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 Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; 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 Initial Purchaser, unless the Initial Purchaser 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 of Directors in its official capacity, 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 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.

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"). This information will be available to the public without charge through its Electronic Municipal Market Access ("EMMA") internet portal at www.emma.msrb.org.

Annual Reports

The District will provide annually to the MSRB, certain updated financial information and operating data. The information to be updated includes the quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "FINANCIAL STATEMENT," "ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Taxes for 2019," "TAX DATA," "WATER AND SEWER OPERATIONS" and "DEBT SERVICE REQUIREMENTS" (most of which information is contained in the District's annual audit report and supplemental schedules and in APPENDIX A) and APPENDIX A. The District will update and provide this information to MSRB within six (6) months after the end of each fiscal year ending in or after 2020.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if 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 June 30. Accordingly, it must provide updated information by December 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.

Specified Event Notices

The District will provide timely notices of certain events to the MSRB via EMMA, 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 status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or an 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 an obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or an 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. 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 information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and Beneficial Owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided.

Compliance With Prior Undertakings

The District has engaged consultants to assist with compliance with the District's continuing disclosure undertakings for all tax-exempt and other tax-advantaged obligations of the District after issuance of such bonds and obligations. During the last five years, the District has complied in all material respects with its previous continuing disclosure agreements.

MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the APPENDICES 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 Timber Lane Utility District, as of the date shown on the cover page.

ATTEST:

/s/ Daniel Meacham
President, Board of Directors

/s/ James F. Messer
Secretary, Board of Directors

AERIAL PHOTOGRAPH
(As of September 2019)


N
F.M. 1960
Hardy Toll Rd.
Timber Lane
Utility District

PHOTOGRAPHS OF THE DISTRICT
(As of September 2019)


SOLD
SOLD


TAMLYN


TRAILING VINE
APARTMENTS


Hirschfield Rd.
3030 Hirschfield Rd.
Timber Run
APARTMENT HOMES


SPRING TRACE
SENIORS
24505
FIRE LANE


Walmart
Neighborhood Market
UNLEADED
DIESEL


BURGER KING
BURGER KING
BURGER KING
Roadster
DONUT


NAILS & SPA
metro
BARBER

APPENDIX A

District Audited Financial Statements for the fiscal year ended June 30, 2019

TIMBER LANE UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2019

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

TIMBER LANE UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2019

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McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

9600 Great Hills Trail
Suite 150W
Austin, Texas 78759
(512) 610-2209
www.mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Timber Lane Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Timber Lane Utility District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Timber Lane Utility District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 10, 2019

TIMBER LANE UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Management's discussion and analysis of Timber Lane Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by $20,675,262 as of June 30, 2019.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Changes in the Statement of Net Position

	2019	2018	Change Positive (Negative)
Current and Other Assets	$ 25,854,422	$ 19,314,030	$ 6,540,392
Capital Assets (Net of Accumulated Depreciation)	52,330,920	51,537,511	793,409
Total Assets	$ 78,185,342	$ 70,851,541	$ 7,333,801
Deferred Ouflows of Resources	$ 581,284	$ 468,695	$ 112,589
Due to Developer	$ 1,018,819	$ 1,018,819	$
Long-Term Liabilities	54,709,379	50,118,358	(4,591,021)
Other Liabilities	2,363,166	2,126,337	(236,829)
Total Liabilities	$ 58,091,364	$ 53,263,514	$ (4,827,850)
Net Position:			
Net Investment in Capital Assets	$ 5,192,984	$ 4,265,434	$ 927,550
Restricted	5,404,090	5,304,545	99,545
Unrestricted	10,078,188	8,486,743	1,591,445
Total Net Position	$ 20,675,262	$ 18,056,722	$ 2,618,540

The following table provides a summary of the District's operations for the years ending June 30, 2019, and June 30, 2018.

Summary of Changes in the Statement of Activities

	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	$ 7,029,930	$ 7,034,496	$ (4,566)
Charges for Services	4,899,379	4,653,655	245,724
Other Revenues	832,769	316,707	516,062
Total Revenues	$ 12,762,078	$ 12,004,858	$ 757,220
Expenses for Services	10,143,538	9,193,546	(949,992)
Change in Net Position	$ 2,618,540	$ 2,811,312	$ (192,772)
Net Position, Beginning of Year	18,056,722	15,245,410	2,811,312
Net Position, End of Year	$ 20,675,262	$ 18,056,722	$ 2,618,540

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2019, were $23,438,456, an increase of $5,978,699 from the prior year.

The General Fund fund balance increased by $1,298,095, primarily due to tax and service revenues exceeding operating expenditures and capital costs.

The Debt Service Fund fund balance increased by $68,031, primarily due to the structure of the District's outstanding debt requirements.

The Capital Projects Fund fund balance increased by $4,612,573 due to proceeds received from the sale of bonds exceeding capital expenditures and issuance costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were $371,003 higher than budgeted, primarily due to higher than expected property tax, investment revenues and FEMA reimbursements. Actual expenditures were $661,919 lower than budgeted, primarily due to lower than expected repairs and maintenance and capital costs.

CAPITAL ASSETS

Capital assets as of June 30, 2019, total $52,330,920 (net of accumulated depreciation) and include land, as well as the water, wastewater, drainage and recreational facilities. Significant capital asset activity during the current fiscal year included ultraviolet system replacement at the wastewater treatment plant and storm sewer outfall replacement at Stargazer. Current year construction in progress relates to the construction of the Timber Lane Community Center, sanitary sewer rehabilitation, various generator additions, Breckenridge West outfall channel and other park and trail improvements.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 3,444,821	$ 3,444,821	$
Construction in Progress	4,114,880	1,865,762	2,249,118
Capital Assets, Net of Accumulated Depreciation:			
Water System	13,843,836	14,315,213	(471,377)
Wastewater System	19,004,386	19,664,674	(660,288)
Drainage System	9,447,213	9,636,162	(188,949)
Parks and Buildings	2,475,784	2,610,879	(135,095)
Total Net Capital Assets	$ 52,330,920	$ 51,537,511	$ 793,409

LONG-TERM DEBT ACTIVITY

As of June 30, 2019, the District had total bond debt payable of $54,305,000. The changes in the debt position of the District during the fiscal year ended June 30, 2019, are summarized as follows:

Bond Debt Payable, July 1, 2018	$ 50,215,000
Add: Bond Sales - Series 2018A and 2019 Refunding	16,450,000
Less: Bond Principal Paid and Refunded	12,360,000
Bond Debt Payable, June 30, 2019	$ 54,305,000

The District's bonds carry an underlying rating of "A2" from Moody's. The Series 2012 refunding, 2013 refunding and 2015 refunding bonds carry an insured rating of "AA" from Standard and Poor's by virtue of bond insurance issued by Assured Guaranty Municipal. The Series 2010 bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Corporation. The Series 2014, 2014A, 2014B refunding, 2015A, 2018A and 2019 Refunding bonds carry an insured rating of "AA" by virtue of bond insurance issued by Build America Mutual. The Series 2009 and 2016 bonds do not carry insured ratings. The above ratings include all rating changes, if any, through June 30, 2019.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Timber Lane Utility District, c/o Smith Murdaugh Little & Bonham LLP, 2727 Allen Parkway, Suite 1100, Houston, Texas 77019.

TIMBER LANE UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 8,845,812	$ 5,000,852
Investments	265,412	1,050,994
Receivables:		
Property Taxes	90,124	164,780
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of $2,000)	844,255	
Accrued Interest		3,649
Due from Other Funds	803,670	
Prepaid Costs	174,470	
Due from Other Governmental Units	64,969	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 11,088,712	$ 6,220,275
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	$ -0-	$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 11,088,712	$ 6,220,275

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 8,964,882	$ 22,811,546	$	$ 22,811,546
	1,316,406		1,316,406
	254,904		254,904
		83,451	83,451
	844,255		844,255
	3,649		3,649
	803,670	(803,670)	
	174,470	30,772	205,242
	64,969	270,000	334,969
		3,444,821	3,444,821
		4,114,880	4,114,880
		44,771,219	44,771,219
$ 8,964,882	$ 26,273,869	$ 51,911,473	$ 78,185,342
$ -0-	$ -0-	$ 581,284	$ 581,284
$ 8,964,882	$ 26,273,869	$ 52,492,757	$ 78,766,626

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

TIMBER LANE UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2019

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 453,271	$
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		292,612
Security Deposits	858,025	
Accrued Interest at Time of Sale		20,697
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 1,311,296	$ 313,309
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 90,124	$ 164,780
FUND BALANCES		
Nonspendable:		
Prepaid Costs	$ 174,470	$
Restricted for Authorized Construction		
Restricted for Debt Service		5,742,186
Unassigned	9,512,822	
TOTAL FUND BALANCES	$ 9,687,292	$ 5,742,186
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 11,088,712	$ 6,220,275
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 444,846	$ 898,117	$	$ 898,117
		607,024	607,024
		1,018,819	1,018,819
511,058	803,670	(803,670)	
	858,025		858,025
	20,697	(20,697)	
		2,775,000	2,775,000
		51,934,379	51,934,379
$ 955,904	$ 2,580,509	$ 55,510,855	$ 58,091,364
$ -0-	$ 254,904	$ (254,904)	$ -0-
$	$ 174,470	$ (174,470)	$
8,008,978	8,008,978	(8,008,978)	
	5,742,186	(5,742,186)	
	9,512,822	(9,512,822)	
$ 8,008,978	$ 23,438,456	$ (23,438,456)	$ -0-
$ 8,964,882	$ 26,273,869		
		$ 5,192,984	$ 5,192,984
		5,404,090	5,404,090
		10,078,188	10,078,188
		$ 20,675,262	$ 20,675,262

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

TIMBER LANE UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balances - Governmental Funds		$ 23,438,456
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Disaster recovery proceeds due from FEMA are not current financial resources and, therefore, are not reported as a receivable in the governmental funds.		270,000
Prepaid bond insurance in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		30,772
Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		581,284
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		52,330,920
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District.		338,355
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Due to Developer	$ (1,018,819)	
Accrued Interest Payable	(586,327)	
Bonds Payable	(54,709,379)	(56,314,525)
Total Net Position - Governmental Activities		$ 20,675,262

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

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TIMBER LANE UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 2,736,182	$ 4,330,448
Water Service	1,352,746	
Wastewater Service	1,347,419	
Sales Tax Revenues	131,058	
Regional Water Authority Fees	1,718,757	
Penalty and Interest	193,719	79,639
Tap Connection and Inspection Fees	82,673	
Investment Revenues	159,782	81,426
Grant and FEMA Revenues	85,786	
Miscellaneous Revenues	172,381	30
TOTAL REVENUES	$ 7,980,503	$ 4,491,543
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 250,942	$ 25,578
Contracted Services	1,313,708	188,195
Utilities	322,119	
Regional Water Authority Assessment	1,839,346	
Repairs and Maintenance	1,395,551	
Depreciation		
Other	713,462	6,923
Capital Outlay	895,453	
Debt Service:		
Bond Principal		2,415,000
Bond Interest		1,643,174
Bond Issuance Costs		345,958
Payment to Refunded Bond Escrow Agent		141,000
TOTAL EXPENDITURES/EXPENSES	$ 6,730,581	$ 4,765,828
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 1,249,922	$ (274,285)
OTHER FINANCING SOURCES (USES)		
Long-Term Debt Issued	$	$ 9,850,000
Payment to Refunded Bond Escrow Agent		(9,968,380)
Bond Premium		460,696
Contributed by Other Governmental Unit	48,173	
TOTAL OTHER FINANCING SOURCES (USES)	$ 48,173	$ 342,316
NET CHANGE IN FUND BALANCES	$ 1,298,095	$ 68,031
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2018	8,389,197	5,674,155
FUND BALANCES/NET POSITION - JUNE 30, 2019	$ 9,687,292	$ 5,742,186

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 7,066,630	$ (36,700)	$ 7,029,930
	1,352,746		1,352,746
	1,347,419		1,347,419
	131,058		131,058
	1,718,757		1,718,757
	273,358	(6,632)	266,726
	82,673		82,673
15,191	256,399		256,399
	85,786	270,000	355,786
	172,411	48,173	220,584
$ 15,191	$ 12,487,237	$ 274,841	$ 12,762,078
$	$ 276,520	$	$ 276,520
	1,501,903		1,501,903
	322,119		322,119
	1,839,346		1,839,346
	1,395,551		1,395,551
		1,585,677	1,585,677
41,327	761,712		761,712
1,483,633	2,379,086	(2,379,086)	
	2,415,000	(2,415,000)	
	1,643,174	(6,803)	1,636,371
509,200	855,158	(30,819)	824,339
	141,000	(141,000)	
$ 2,034,160	$ 13,530,569	$ (3,387,031)	$ 10,143,538
$ (2,018,969)	$ (1,043,332)	$ 3,661,872	$ 2,618,540
$ 6,600,000	$ 16,450,000	$ (16,450,000)	$
	(9,968,380)	9,968,380	
31,542	492,238	(492,238)	
	48,173	(48,173)	
$ 6,631,542	$ 7,022,031	$ (7,022,031)	$ -0-
$ 4,612,573	$ 5,978,699	$ (5,978,699)	$
		2,618,540	2,618,540
3,396,405	17,459,757	596,965	18,056,722
$ 8,008,978	$ 23,438,456	$ (2,763,194)	$ 20,675,262

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

TIMBER LANE UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Governmental Funds	$ 5,978,699
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(36,700)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	(6,632)
Contributions due from another governmental entity are not considered a current financial resource in the governmental funds, but are reported as revenues in the Statement of Activities.	270,000
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(1,585,677)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	2,379,086
Governmental funds report bond insurance costs as expenditures and bond premiums as an other financing sources in the year received. However, in the Statement of Net Position, bond insurance and bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(461,419)
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	2,415,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	6,803
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(16,450,000)
Governmental funds report the payment to the refunded bond escrow agent as an other financing use and an expense. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Positon.	10,109,380
Change in Net Position - Governmental Activities	$ 2,618,540

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

TIMBER LANE UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. CREATION OF DISTRICT

Timber Lane Utility District, of Harris County, Texas (the "District") was created in 1969 by an Order of the Texas Water Commission, presently known as the Texas Commission on Environmental Quality (the "Commission"). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on October 8, 1969 and sold its first series of bonds on August 9, 1971.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

<u>Financial Statement Presentation</u>

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Basis of Accounting

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

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

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

Capital Assets

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

the life of an asset are capitalized and depreciated over the estimated useful life of the asset. The District chose to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than $25,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

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

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

The District has one full time employee. Payments are made into the social security system for the employee. The Internal Revenue Service has determined that fees of office received by Directors are considered wages subject to federal income tax withholding for payroll tax purposes only. A separate pension plan has not been established for the directors or employee.

Measurement Focus

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Series 2009	Series 2010	Refunding Series 2012	Refunding Series 2013
Amounts Outstanding - June 30, 2019	$ 25,000	$ 655,000	$ 1,715,000	$ 4,705,000
Interest Rates	5.00%	3.75% - 4.00%	2.00% - 4.00%	2.00% - 3.25%
Maturity Dates – Serially Beginning/Ending	August 1, 2019	August 1, 2019/2024	August 1, 2019/2020	August 1, 2019/2023, 2029/2030
Interest Payment Dates	August 1/ February 1	August 1/ February 1	August 1/ February 1	August 1/ February 1
Callable Dates	August 1, 2018*	August 1, 2018*	August 1, 2019*	August 1, 2019*

	Series 2014	Series 2014A	Refunding Series 2014B	Refunding Series 2015
Amounts Outstanding - June 30, 2019	$ 1,700,000	$ 1,300,000	$ 5,060,000	$ 8,345,000
Interest Rates	4.00% - 4.25%	2.00% - 3.75%	2.00% - 3.00%	2.00% - 3.25%
Maturity Dates – Serially Beginning/Ending	August 1, 2019/2036	August 1, 2019/2030	August 1, 2019/2027	August 1, 2019/2034
Interest Payment Dates	August 1/ February 1	August 1/ February 1	August 1/ February 1	August 1/ February 1
Callable Dates	August 1, 2021*	August 1, 2021*	August 1, 2023*	August 1, 2022*

	Series 2015A	Series 2016	Recreational Series 2018	Series 2018A
Amounts Outstanding - June 30, 2019	$ 5,500,000	$ 5,750,000	$ 3,100,000	$ 6,600,000
Interest Rates	2.00% - 3.75%	2.00% - 3.625%	3.00% - 3.50%	3.00% - 3.50%
Maturity Dates – Serially Beginning/Ending	August 1, 2019/2040	August 1, 2019/2040	August 1, 2019/2040	August 1, 2019/2040
Interest Payment Dates	August 1/ February 1	August 1/ February 1	August 1/ February 1	August 1/ February 1
Callable Dates	August 1, 2023*	August 1, 2023*	August 1, 2024*	August 1, 2024*

NOTE 3. LONG-TERM DEBT (Continued)

	Refunding Series 2019
Amounts Outstanding - June 30, 2019	$ 9,850,000
Interest Rates	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	August 1, 2020/2028
Interest Payment Dates	August 1/ February 1
Callable Dates	August 1, 2025*

* Or any date thereafter, at a price of par plus accrued interest on the principal amounts called to the date fixed for redemption. The Series 2013 bonds maturing August 1, 2023 and 2025 are term bonds and are scheduled for mandatory redemption beginning August 1, 2022 and 2024. The Series 2014 bonds maturing August 1, 2030, 2032, 2034 and 2036 are term bonds and are scheduled for mandatory redemption beginning August 1, 2025, 2031, 2033 and 2035, respectively. The Series 2014A bonds maturing August 1, 2024, 2026, 2028 and 2030 are term bonds and are scheduled for mandatory redemption beginning August 1, 2022, 2025, 2027 and 2029, respectively. The Series 2015 bonds maturing August 1, 2025 and 2027 are term bonds and are scheduled for mandatory redemption beginning August 1, 2023 and 2026, respectively. The Series 2015A bonds maturing August 1, 2030, 2032, 2034, 2037 and 2040 are term bonds and are scheduled for mandatory redemption beginning August 1, 2028, 2031, 2033, 2035 and 2038, respectively. The Series 2016 bonds maturing August 1, 2025, 2027, 2029, 2034 and 2040 are term bonds and are scheduled for mandatory redemption beginning August 1, 2024, 2026, 2028, 2033 and 2039, respectively. The Series 2018 bonds maturing August 1, 2036 and 2040 are term bonds and are scheduled for mandatory redemption beginning August 1, 2035 and 2037, respectively. The Series 2018A term bonds maturing August 1, 2040 are scheduled for mandatory redemption beginning August 1, 2036.

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2019:

	July 1, 2018	Additions	Retirements	June 30, 2019
Bonds Payable	$ 50,215,000	$ 16,450,000	$ 12,360,000	$ 54,305,000
Unamortized Discounts	(96,642)		(10,628)	(86,014)
Unamortized Premiums		492,238	1,845	490,393
Bonds Payable, Net	$ 50,118,358	$ 16,942,238	$ 12,351,217	$ 54,709,379

Amount Due Within One Year	$ 2,775,000
Amount Due After One Year	51,934,379
Bonds Payable, Net	$ 54,709,379

NOTE 3. LONG-TERM DEBT (Continued)

As of June 30, 2019, the District had authorized but unissued bonds in the amount of $28,200,000 for water, sanitary sewer and drainage bonds and $20,542,369 for refunding bonds.

As of June 30, 2019, the debt service requirements on the outstanding bonds were as follows:

Fiscal Year	Principal	Interest	Total
2020	$ 2,775,000	$ 1,543,302	$ 4,318,302
2021	2,855,000	1,590,844	4,445,844
2022	2,900,000	1,509,793	4,409,793
2023	2,935,000	1,423,713	4,358,713
2024	2,985,000	1,334,799	4,319,799
2025-2029	15,345,000	5,259,118	20,604,118
2030-2034	14,460,000	2,858,916	17,318,916
2035-2039	7,475,000	1,078,783	8,553,783
2040-2041	2,575,000	92,125	2,667,125
	$ 54,305,000	$ 16,691,393	$ 70,996,393

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

During the year ended June 30, 2019, the District levied an ad valorem debt service tax rate of $0.56 per $100 of assessed valuation, which resulted in a tax levy of $4,312,210 on the adjusted taxable valuation of $770,037,611 for the 2018 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

The District's tax calendar is as follows:

Levy Date - October 1, or as soon thereafter as practicable.

Lien Date - January 1.

Due Date - Upon receipt but not later than January 31.

Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The bond orders state that any profits received from the investment of any money in any fund or account created by the resolution shall be placed into such fund or account of the District.

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

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

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

At fiscal year-end, the carrying amount of the District's deposits was $23,263,561 and the bank balance was $23,244,925. The District was not exposed to custodial credit risk at year-end. The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2019, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	$ 8,845,812	$	$ 8,845,812
DEBT SERVICE FUND	5,000,852	452,015	5,452,867
CAPITAL PROJECTS FUND	8,964,882		8,964,882
TOTAL DEPOSITS	$ 22,811,546	$ 452,015	$ 23,263,561

Investments

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

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

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in TexPool and TexSTAR, external investment pools that are not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of Texpool. Federated Investors, Inc. manages the daily operations of Texpool under a contract with the Comptroller. J.P. Morgan Investment Management Inc. provides investment management and FirstSouthwest, a division of Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. TexPool and TexSTAR measure their portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool and TexSTAR at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool or TexSTAR.

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
TexPool	$ 262,749	$ 262,749
TexSTAR	2,663	2,663
DEBT SERVICE FUND		
TexPool	316,352	316,352
TexSTAR	282,627	282,627
Certificates of Deposit	452,015	452,015
TOTAL INVESTMENTS	$ 1,316,406	$ 1,316,406

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2019, the District's investment in TexPool and TexSTAR were rated AAAm by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit with balances below FDIC coverage. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool and TexSTAR to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 is as follows:

	July 1, 2018	Increases	Decreases	June 30, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 3,444,821	$	$	$ 3,444,821
Construction in Progress	1,865,762	2,379,086	129,968	4,114,880
Total Capital Assets Not Being Depreciated	$ 5,310,583	$ 2,379,086	$ 129,968	$ 7,559,701
Capital Assets Subject to Depreciation				
Water System	$ 22,504,961	$	$	$ 22,504,961
Wastewater System	30,642,833	12,932		30,655,765
Drainage System	15,915,031	117,036		16,032,067
Parks and Buildings	3,413,970			3,413,970
Total Capital Assets Subject to Depreciation	$ 72,476,795	$ 129,968	$ - 0 -	$ 72,606,763
Accumulated Depreciation				
Water System	$ 8,189,748	$ 471,377	$	$ 8,661,125
Wastewater System	10,978,159	673,220		11,651,379
Drainage System	6,278,869	305,985		6,584,854
Parks and Buildings	803,091	135,095		938,186
Total Accumulated Depreciation	$ 26,249,867	$ 1,585,677	$ - 0 -	$ 27,835,544
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 46,226,928	$ (1,455,709)	$ - 0 -	$ 44,771,219
Total Capital Assets, Net of Accumulated Depreciation	$ 51,537,511	$ 923,377	$ 129,968	$ 52,330,920

NOTE 7. MAINTENANCE TAX

On August 12, 2000, the voters of the District approved the levy and collection of a maintenance tax not to exceed $0.50 per $100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the fiscal year ended June 30, 2019, the District levied an ad valorem maintenance tax rate of $0.355 per $100 of assessed valuation, which resulted in a tax levy of $2,733,633 on the adjusted taxable valuation of $770,037,611 for the 2018 tax year.

NOTE 8. RISK MANAGEMENT

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

NOTE 9. REGIONAL WATER AUTHORITY FEES

The North Harris County Regional Water Authority was created by House Bill 2965, Acts of the 76th Legislature, Regular Session 1999, and was confirmed by an election held on January 15, 2000. The Authority is a political subdivision of the State of Texas, governed by an elected five-member Board of Directors. The Authority is empowered to, among others 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 corporation, 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." The current fee is $3.85 per 1,000 gallons. The District's well pumpage fees payable to the Authority for the year ended June 30, 2019 were $1,839,346.

NOTE 10. STRATEGIC PARTNERSHIP AGREEMENT

Effective March 8, 2007, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the "Subject Tract" for the limited purposes of applying the City's Planning, Zoning, Health and Safety Ordinances within the tract within the boundaries of the District. The District will continue to develop, to own, and to operate and maintain a water and wastewater system in the District. During the current fiscal year, the District recorded $131,058 of sales tax revenue from the City of Houston, of which $33,190 was recorded as a receivable at year end.

NOTE 11. INTERFUND PAYABLES AND RECEIVABLES

As of June 30, 2019, the District recorded interfund payables of $268,912 in the Debt Service Fund for maintenance tax collections due to the General Fund and $23,700 for issuance costs paid by the General Fund and $511,058 in the Capital Projects Fund to reimburse the General Fund for bond issuance costs and various costs related to construction of assets.

NOTE 12. REIMBURSEMENT GRANTS

The District has entered into agreements with the Texas Parks and Wildlife Department for development of parks and trails along Cypress Creek. Timber Lane also has entered into a Transportation Improvement Project agreement with the Texas Department of Transportation for construction of 2.6 miles of paved trails along Cypress Creek and two bridges that will cross the creek and a tributary, so the trail system will be accessible to persons south of the creek. These agreements are for reimbursement of project costs as submitted to various entities.

NOTE 12. REIMBURSEMENT GRANTS (Continued)

The District was awarded a Non-Urban Outdoor Recreation Grant by the Texas Parks and Wildlife Department. The proceeds were used to acquire land to further develop the Timber Lane Recreation Area. Projects covered under this grant include a splash pad, BMX pump track, walking trails, soccer fields, exercise stations and wetland preservation. During a prior year, the District recorded $400,000 of grant revenue.

NOTE 13. BOND SALES

On September 11, 2018, the District closed on the sale of its Series 2018A Unlimited Tax Bonds in the amount of $6,600,000. The District will use proceeds of the bonds to pay for construction costs related to Auxiliary Power for various Water Plants and Lift Stations, Electrical Control Upgrades for Water Plants, Nos. 1, 2 and 3, Recoating of Water Plants Nos. 1, 2, 3 and 4, and wastewater rehabilitation. Additional proceeds were used to pay issuance costs of the bonds.

On June 25, 2019, the District closed on the sale of its $9,850,000 Series 2019 Unlimited Tax Refunding Bonds. The net proceeds of $10,472,392, including $141,000 of available Debt Service funds, were used to refund and defease Series 2009, 2012 and 2013 bonds in the amount of $50,000, $5,510,000 and $4,385,000, respectively. The effect of the refunding was to obtain gross debt service savings of $384,049 and net present value savings of $335,521.

NOTE 14. PENDING BOND APPLICATION

Subsequent to year-end, on September 26, 2019, the District submitted its bond application no. 22 to the Commission in the amount of $2,200,000. On October 2, 2019, the Commission deemed the application administratively complete, but as of the date of this report, the application has not been approved.

TIMBER LANE UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

TIMBER LANE UTILITY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 2,500,000	$ 2,736,182	$ 236,182
Water Service	1,500,000	1,352,746	(147,254)
Wastewater Service	1,300,000	1,347,419	47,419
Sales Tax Revenues	145,000	131,058	(13,942)
Regional Water Authority Fee	1,700,000	1,718,757	18,757
Penalty and Interest	175,000	193,719	18,719
Tap Connection and Inspection Fees	189,500	82,673	(106,827)
Investment Revenues	50,000	159,782	109,782
Miscellaneous/Grant/FEMA Revenues	50,000	258,167	208,167
TOTAL REVENUES	$ 7,609,500	$ 7,980,503	$ 371,003
EXPENDITURES			
Services Operations:			
Professional Fees	$ 308,000	$ 250,942	$ 57,058
Contracted Services	1,311,000	1,313,708	(2,708)
Utilities	310,000	322,119	(12,119)
Regional Water Authority Assessment	1,700,000	1,839,346	(139,346)
Repairs and Maintenance	1,520,000	1,395,551	124,449
Other	843,500	713,462	130,038
Capital Outlay	1,400,000	895,453	504,547
TOTAL EXPENDITURES	$ 7,392,500	$ 6,730,581	$ 661,919
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 217,000	$ 1,249,922	$ 1,032,922
OTHER FINANCING SOURCES (USES)			
Contributed by Other Governmental Unit	$ -0-	$ 48,173	$ 48,173
NET CHANGE IN FUND BALANCE	$ 217,000	$ 1,298,095	$ 292,917
FUND BALANCE - JULY 1, 2018	8,389,197	8,389,197	
FUND BALANCE - JUNE 30, 2019	$ 8,606,197	$ 9,687,292	$ 292,917

See accompanying independent auditor's report.

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TIMBER LANE UTILITY DISTRICT

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

JUNE 30, 2019

TIMBER LANE UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2019

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

X	Retail Water		Wholesale Water	X	Drainage
X	Retail Wastewater		Wholesale Wastewater		Irrigation
X	Parks/Recreation		Fire Protection	X	Security
	Solid Waste/Garbage		Flood Control		Roads

______ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

______ Other (specify): ____

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective March 9, 2017.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 13.25	5,000	N	$ 1.85	5,001 to 10,000
				$ 2.25	10,001 to 18,000
				$ 2.60	18,001 and up
WASTEWATER:	$ 14.25	5,000	N	$ 1.50	5,001 to 10,000
				$ 1.70	10,001 and up
SURCHARGE: Regional Water Authority Fees				$ 4.43	0001 and up

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

Total monthly charges per 10,000 gallons usage: Water: $22.50 Wastewater: $21.75 Surcharges: $44.30

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2019

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	6,063	5,916	x 1.0	5,916
1"	55	46	x 2.5	115
1½"	20	20	x 5.0	100
2"	2	2	x 8.0	16
3"	1	1	x 15.0	15
4"	4	4	x 25.0	100
6"	3	3	x 50.0	150
8"	3	3	x 80.0	240
10"			x 115.0	
Total Water Connections	6,151	5,995		6,652
Total Wastewater Connections	6,106	5,950	x 1.0	5,950

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

Gallons pumped into system: 468,167,000

Water Accountability Ratio: 91.4%
(Gallons billed/Gallons pumped)

Gallons billed to customers: 427,709,000

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2019

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

Does the District have Debt Service standby fees? Yes ____ No _X_

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

5. **LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes _X_ No _____

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely _____ Partly ______ Not at all _X_

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

Entirely _X_ Partly ______ Not at all _____

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No _X_

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2019

PROFESSIONAL FEES:		
Auditing	$	18,300
Engineering		106,617
Legal		126,025
TOTAL PROFESSIONAL FEES	$	250,942
CONTRACTED SERVICES:		
Bookkeeping	$	51,169
Operations and Billing		297,454
Parks General Manager		42,204
TOTAL CONTRACTED SERVICES	$	390,827
UTILITIES	$	322,119
REPAIRS AND MAINTENANCE	$	1,395,551
ADMINISTRATIVE EXPENDITURES:		
Director Fees	$	33,900
Dues		650
Insurance		75,024
Legal Notices		1,501
Office Supplies and Postage		97,265
Payroll Taxes		10,220
Travel and Meetings		7,036
TOTAL ADMINISTRATIVE EXPENDITURES	$	225,596

See accompanying independent auditor’s report.

TIMBER LANE UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2019

CAPITAL OUTLAY	$	895,453
TAP CONNECTIONS	$	49,622
SECURITY	$	922,881
OTHER EXPENDITURES:		
Chemicals	$	24,516
Laboratory Fees		77,962
Permit Fees		30,235
Inspection Fees		51,401
Regional Water Authority Assessment		1,839,346
Regulatory Assessment		13,175
Sludge Hauling		176,595
Other		64,360
TOTAL OTHER EXPENDITURES	$	2,277,590
TOTAL EXPENDITURES	$	6,730,581

Number of persons employed by the District 1 Full-Time -0- Part-Time

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
INVESTMENTS
JUNE 30, 2019

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
TexPool	XXXX0002	Varies	Daily	$ 262,749	$
TexSTAR	XXXX2220	Varies	Daily	2,663	
TOTAL GENERAL FUND				$ 265,412	$ - 0 -
DEBT SERVICE FUND					
TexPool	XXXX0003	Varies	Daily	$ 316,352	$
TexSTAR	XXXX3330	Varies	Daily	282,627	
Certificate of Deposit	XXXX7961	2.15%	07/23/19	106,625	999
Certificate of Deposit	XXXX1717	2.35%	09/01/19	105,390	814
Certificate of Deposit	XXXX3733	2.45%	03/08/20	240,000	1,836
TOTAL DEBT SERVICE FUND				$ 1,050,994	$ 3,649
TOTAL - ALL FUNDS				$ 1,316,406	$ 3,649

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2019

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - JULY 1, 2018	$ 97,546		$ 194,058	
Adjustments to Beginning Balance	(4,873)	$ 92,673	(11,040)	$ 183,018
Original 2018 Tax Levy	$ 2,247,070		$ 3,544,674	
Adjustment to 2018 Tax Levy	486,563	2,733,633	767,536	4,312,210
TOTAL TO BE ACCOUNTED FOR		$ 2,826,306		$ 4,495,228
TAX COLLECTIONS:				
Prior Years	$ 43,929		$ 83,514	
Current Year	2,692,253	2,736,182	4,246,934	4,330,448
TAXES RECEIVABLE - JUNE 30, 2019		$ 90,124		$ 164,780
TAXES RECEIVABLE BY YEAR:				
2018		$ 41,380		$ 65,276
2017		17,647		32,813
2016		10,458		18,107
2015		6,087		10,922
2014		2,837		7,044
2013 and prior		11,715		30,618
TOTAL		$ 90,124		$ 164,780

See accompanying independent auditor’s report.

TIMBER LANE UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2019

	2018	2017	2016	2015
PROPERTY VALUATIONS:				
Land	$ 161,570,329	$ 157,193,392	$ 135,961,980	$ 130,804,781
Improvements	630,346,017	617,289,933	545,398,293	467,169,306
Personal Property	34,789,178	32,823,192	29,851,389	23,461,849
Exemptions	(56,667,913)	(48,649,891)	(41,974,725)	(36,966,114)
TOTAL PROPERTY VALUATIONS	$ 770,037,611	$ 758,656,626	$ 669,236,937	$ 584,469,822
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.560	$ 0.595	$ 0.580	$ 0.61
Maintenance	0.355	0.320	0.335	0.34
TOTAL TAX RATES PER $100 VALUATION	$ 0.915	$ 0.915	$ 0.915	$ 0.95
ADJUSTED TAX LEVY*	$ 7,045,843	$ 6,941,708	$ 6,123,518	$ 5,552,463
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	98.49 %	99.27 %	99.53 %	99.69 %

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

Maintenance Tax – Maximum Tax Rate of $0.50 per $100 of assessed valuation approved by voters on August 12, 2000. See also Note 7.

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

	SERIES - 2009		
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	$ 25,000	$ 625	$ 25,625
2021			
2022			
2023			
2024			
2025			
2026			
2027			
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	$ 25,000	$ 625	$ 25,625

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

	SERIES - 2010		
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	$ 90,000	$ 24,038	$ 114,038
2021	100,000	20,475	120,475
2022	105,000	16,500	121,500
2023	110,000	12,200	122,200
2024	120,000	7,600	127,600
2025	130,000	2,600	132,600
2026			
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	$ 655,000	$ 83,413	$ 738,413

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

	REFUNDING SERIES - 2012		
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	$ 920,000	$ 37,650	$ 957,650
2021	795,000	11,925	806,925
2022			
2023			
2024			
2025			
2026			
2027			
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2041			
	$ 1,715,000	$ 49,575	$ 1,764,575

See accompanying independent auditor’s report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

Due During Fiscal Years Ending June 30	REFUNDING SERIES-2013 Principal Due August 1	Interest Due August 1/ February 1	Total
2020	$ 300,000	$ 143,825	$ 443,825
2021	460,000	133,925	593,925
2022	475,000	119,900	594,900
2023	185,000	109,769	294,769
2024	185,000	103,756	288,756
2025		100,750	100,750
2026		100,750	100,750
2027		100,750	100,750
2028		100,750	100,750
2029		100,750	100,750
2030	1,535,000	75,806	1,610,806
2031	1,565,000	25,431	1,590,431
2032			
2033			
2034			
2035			
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2041			
	$ 4,705,000	$ 1,216,162	$ 5,921,162

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

	SERIES-2014		
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	$ 25,000	$ 69,625	$ 94,625
2021	25,000	68,625	93,625
2022	25,000	67,625	92,625
2023	25,000	66,625	91,625
2024	25,000	65,625	90,625
2025	25,000	64,625	89,625
2026	25,000	63,625	88,625
2027	25,000	62,625	87,625
2028	25,000	61,625	86,625
2029	25,000	60,625	85,625
2030	50,000	59,125	109,125
2031	100,000	56,125	156,125
2032	150,000	51,125	201,125
2033	150,000	45,125	195,125
2034	150,000	39,031	189,031
2035	150,000	32,844	182,844
2036	350,000	22,313	372,313
2037	350,000	7,437	357,437
2038			
2039			
2040			
2041			
	$ 1,700,000	$ 964,375	$ 2,664,375

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

	SERIES - 2014A		
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	$ 100,000	$ 40,625	$ 140,625
2021	100,000	38,125	138,125
2022	100,000	35,125	135,125
2023	100,000	32,125	132,125
2024	100,000	29,125	129,125
2025	100,000	26,125	126,125
2026	100,000	23,000	123,000
2027	100,000	19,750	119,750
2028	125,000	15,938	140,938
2029	125,000	11,562	136,562
2030	125,000	7,031	132,031
2031	125,000	2,344	127,344
2032			
2033			
2034			
2035			
2036			
2037			
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2040			
2041			
	$ 1,300,000	$ 280,875	$ 1,580,875

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

	REFUNDING SERIES - 2014B		
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	$ 470,000	$ 139,850	$ 609,850
2021	490,000	127,900	617,900
2022	480,000	115,800	595,800
2023	770,000	97,050	867,050
2024	775,000	73,875	848,875
2025	785,000	50,475	835,475
2026	440,000	32,100	472,100
2027	430,000	19,050	449,050
2028	420,000	6,300	426,300
2029			
2030			
2031			
2032			
2033			
2034			
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2041			
	$ 5,060,000	$ 662,400	$ 5,722,400

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

	REFUNDING SERIES-2015		
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	$ 70,000	$ 252,294	$ 322,294
2021	70,000	250,894	320,894
2022	75,000	249,443	324,443
2023	100,000	247,194	347,194
2024	100,000	244,193	344,193
2025	100,000	241,194	341,194
2026	130,000	237,743	367,743
2027	180,000	233,094	413,094
2028	230,000	226,943	456,943
2029	780,000	211,794	991,794
2030	815,000	187,869	1,002,869
2031	800,000	163,644	963,644
2032	1,510,000	128,994	1,638,994
2033	1,480,000	83,219	1,563,219
2034	1,455,000	37,359	1,492,359
2035	450,000	7,312	457,312
2036			
2037			
2038			
2039			
2040			
2041			
	$ 8,345,000	$ 3,003,183	$ 11,348,183

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

	SERIES - 2015A		
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	$ 200,000	$ 167,781	$ 367,781
2021	200,000	163,781	363,781
2022	200,000	159,781	359,781
2023	200,000	155,781	355,781
2024	200,000	151,531	351,531
2025	200,000	147,031	347,031
2026	200,000	142,281	342,281
2027	225,000	136,406	361,406
2028	200,000	130,031	330,031
2029	175,000	124,406	299,406
2030	150,000	119,531	269,531
2031	175,000	114,656	289,656
2032	200,000	108,781	308,781
2033	200,000	102,281	302,281
2034	275,000	94,391	369,391
2035	350,000	83,844	433,844
2036	350,000	71,812	421,812
2037	350,000	59,563	409,563
2038	375,000	46,875	421,875
2039	375,000	33,281	408,281
2040	375,000	19,219	394,219
2041	325,000	6,094	331,094
	$ 5,500,000	$ 2,339,138	$ 7,839,138

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

	SERIES-2016		
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	$ 250,000	$ 170,969	$ 420,969
2021	250,000	165,344	415,344
2022	250,000	159,094	409,094
2023	250,000	152,219	402,219
2024	250,000	144,719	394,719
2025	250,000	137,219	387,219
2026	250,000	129,719	379,719
2027	250,000	122,219	372,219
2028	250,000	114,719	364,719
2029	250,000	107,219	357,219
2030	250,000	99,719	349,719
2031	250,000	92,219	342,219
2032	250,000	84,719	334,719
2033	250,000	77,219	327,219
2034	250,000	69,719	319,719
2035	250,000	62,219	312,219
2036	275,000	54,344	329,344
2037	275,000	45,922	320,922
2038	300,000	36,750	336,750
2039	300,000	26,812	326,812
2040	300,000	16,312	316,312
2041	300,000	5,437	305,437
	$ 5,750,000	$ 2,074,831	$ 7,824,831

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

	SERIES-2018 RECREATIONAL		
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	$ 100,000	$ 99,031	$ 199,031
2021	100,000	96,031	196,031
2022	100,000	93,031	193,031
2023	100,000	90,031	190,031
2024	100,000	87,031	187,031
2025	100,000	84,031	184,031
2026	100,000	81,031	181,031
2027	100,000	78,031	178,031
2028	100,000	75,031	175,031
2029	100,000	72,031	172,031
2030	100,000	69,031	169,031
2031	100,000	66,031	166,031
2032	150,000	62,188	212,188
2033	150,000	57,406	207,406
2034	150,000	52,531	202,531
2035	175,000	47,142	222,142
2036	175,000	41,234	216,234
2037	175,000	35,328	210,328
2038	225,000	28,438	253,438
2039	225,000	20,563	245,563
2040	225,000	12,688	237,688
2041	250,000	4,375	254,375
	$ 3,100,000	$ 1,352,265	$ 4,452,265

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

	S E R I E S - 2 0 1 8A		
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	$ 225,000	$ 210,719	$ 435,719
2021	225,000	203,969	428,969
2022	225,000	197,219	422,219
2023	225,000	190,469	415,469
2024	225,000	183,719	408,719
2025	225,000	176,969	401,969
2026	225,000	170,219	395,219
2027	225,000	163,469	388,469
2028	225,000	156,719	381,719
2029	225,000	149,969	374,969
2030	225,000	143,219	368,219
2031	225,000	136,328	361,328
2032	350,000	127,344	477,344
2033	375,000	115,781	490,781
2034	375,000	103,594	478,594
2035	400,000	90,750	490,750
2036	400,000	77,000	477,000
2037	400,000	63,000	463,000
2038	400,000	49,000	449,000
2039	400,000	35,000	435,000
2040	400,000	21,000	421,000
2041	400,000	7,000	407,000
	$ 6,600,000	$ 2,772,456	$ 9,372,456

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

	SERIES-2019 REFUNDING		
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	$	$ 186,270	$ 186,270
2021	40,000	309,850	349,850
2022	865,000	296,275	1,161,275
2023	870,000	270,250	1,140,250
2024	905,000	243,625	1,148,625
2025	1,115,000	213,325	1,328,325
2026	1,495,000	166,700	1,661,700
2027	1,500,000	114,300	1,614,300
2028	1,540,000	68,700	1,608,700
2029	1,520,000	22,800	1,542,800
2030			
2031			
2032			
2033			
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2041			
	$ 9,850,000	$ 1,892,095	$ 11,742,095

See accompanying independent auditor's report.

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TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

	ANNUAL REQUIREMENTS FOR ALL SERIES		
Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	$ 2,775,000	$ 1,543,302	$ 4,318,302
2021	2,855,000	1,590,844	4,445,844
2022	2,900,000	1,509,793	4,409,793
2023	2,935,000	1,423,713	4,358,713
2024	2,985,000	1,334,799	4,319,799
2025	3,030,000	1,244,344	4,274,344
2026	2,965,000	1,147,168	4,112,168
2027	3,035,000	1,049,694	4,084,694
2028	3,115,000	956,756	4,071,756
2029	3,200,000	861,156	4,061,156
2030	3,250,000	761,331	4,011,331
2031	3,340,000	656,778	3,996,778
2032	2,610,000	563,151	3,173,151
2033	2,605,000	481,031	3,086,031
2034	2,655,000	396,625	3,051,625
2035	1,775,000	324,111	2,099,111
2036	1,550,000	266,703	1,816,703
2037	1,550,000	211,250	1,761,250
2038	1,300,000	161,063	1,461,063
2039	1,300,000	115,656	1,415,656
2040	1,300,000	69,219	1,369,219
2041	1,275,000	22,906	1,297,906
	$ 54,305,000	$ 16,691,393	$ 70,996,393

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2019

Description	Original Bonds Issued	Bonds Outstanding July 1, 2018
Timber Lane Utility District Unlimited Tax Bonds - Series 2009	$ 3,450,000	$ 100,000
Timber Lane Utility District Unlimited Tax Park Bonds - Series 2010	1,200,000	740,000
Timber Lane Utility District Unlimited Tax Refunding Bonds - Series 2012	9,535,000	8,120,000
Timber Lane Utility District Unlimited Tax Refunding Bonds - Series 2013	9,310,000	9,135,000
Timber Lane Utility District Unlimited Tax Bonds - Series 2014	1,800,000	1,725,000
Timber Lane Utility District Unlimited Tax Bonds - Series 2014A	1,700,000	1,400,000
Timber Lane Utility District Unlimited Tax Refunding Bonds - Series 2014B	6,205,000	5,780,000
Timber Lane Utility District Unlimited Tax Refunding Bonds - Series 2015	8,965,000	8,415,000
Timber Lane Utility District Unlimited Tax Bonds - Series 2015A	6,100,000	5,700,000
Timber Lane Utility District Unlimited Tax Bonds - Series 2016	6,250,000	6,000,000
Timber Lane Utility District Unlimited Tax Recreational Bonds - Series 2018	3,100,000	3,100,000
Timber Lane Utility District Unlimited Tax Bonds - Series 2018A	6,600,000	
Timber Lane Utility District Unlimited Tax Refunding Bonds - Series 2019	9,850,000	
TOTAL	$ 74,065,000	$ 50,215,000

See accompanying independent auditor’s report.

Current Year Transactions				
	Retirements			
Bonds Sold	Principal	Interest	Bonds Outstanding June 30, 2019	Paying Agent
$	$ 75,000	$ 4,412	$ 25,000	Wells Fargo Bank N.A. Houston, TX
	85,000	27,319	655,000	Wells Fargo Bank N.A. Houston, TX
	6,405,000	280,800	1,715,000	Wells Fargo Bank N.A. Dallas, TX
	4,430,000	289,787	4,705,000	Wells Fargo Bank N.A. Dallas, TX
	25,000	70,625	1,700,000	Wells Fargo Bank N.A. Minneapolis, MN
	100,000	42,625	1,300,000	Wells Fargo Bank N.A. Minneapolis, MN
	720,000	154,100	5,060,000	Wells Fargo Bank N.A. Minneapolis, MN
	70,000	253,694	8,345,000	Wells Fargo Bank N.A. Minneapolis, MN
	200,000	171,781	5,500,000	Wells Fargo Bank N.A. Minneapolis, MN
	250,000	175,969	5,750,000	Wells Fargo Bank N.A. Minneapolis, MN
		88,803	3,100,000	Amegy Bank N.A. Houston, TX
6,600,000		83,259	6,600,000	Amegy Bank N.A. Houston, TX
9,850,000			9,850,000	Zions Bancorporation N.A. Houston, TX
$ 16,450,000	$ 12,360,000	$ 1,643,174	$ 54,305,000	

See accompanying independent auditor’s report.

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TIMBER LANE UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2019

Bond Authority:	Tax Bonds	Refunding Bonds	Recreational Facilities Bonds
Amount Authorized by Voters	$ 112,350,000	$ 35,000,000	$ 6,000,000
Amount Issued	84,150,000	14,457,631	6,000,000
Remaining to be Issued	$ 28,200,000	$ 20,542,369	$ - 0 -

Debt Service Fund cash and investments balances as of June 30, 2019:	$ 6,051,846
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 3,227,109

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

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	$ 2,736,182	$ 2,433,906	$ 2,240,896
Water & Wastewater Service	2,700,165	2,695,398	2,675,390
Sales Tax Revenues	131,058	142,491	144,399
Regional Water Authority Fees	1,718,757	1,480,887	1,309,670
Penalty and Interest	193,719	151,615	173,243
Tap Connection and Inspection Fees	82,673	104,056	680,430
Investment Revenues	159,782	65,347	13,199
Miscellaneous/Grant/FEMA Revenues	258,167	117,260	205,245
TOTAL REVENUES	$ 7,980,503	$ 7,190,960	$ 7,442,472
EXPENDITURES			
Professional Fees	$ 250,942	$ 331,748	$ 355,695
Contracted Services	1,313,708	1,244,014	1,159,782
Utilities	322,119	329,770	308,209
Regional Water Authority Assessment	1,839,346	1,484,951	1,339,113
Repairs and Maintenance	1,395,551	1,438,509	1,928,926
Other	713,462	671,404	751,505
Capital Outlay	895,453	899,047	646,485
TOTAL EXPENDITURES	$ 6,730,581	$ 6,399,443	$ 6,489,715
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 1,249,922	$ 791,517	$ 952,757
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	$	$	$
Developer/Other Government Contributions	48,173		
TOTAL OTHER FINANCING SOURCES (USES)	$ 48,173	$ - 0 -	$ - 0 -
NET CHANGE IN FUND BALANCE	$ 1,298,095	$ 791,517	$ 952,757
BEGINNING FUND BALANCE	8,389,197	7,597,680	6,644,923
ENDING FUND BALANCE	$ 9,687,292	$ 8,389,197	$ 7,597,680

See accompanying independent auditor’s report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
$ 1,921,526	$ 1,442,585	34.5 %	33.9 %	30.2 %	28.8 %	24.1 %
2,750,503	2,559,839	33.8	37.5	35.9	41.3	42.7
144,262	134,393	1.6	2.0	1.9	2.2	2.2
1,118,312	925,514	21.5	20.6	17.6	16.7	15.4
182,268	167,530	2.4	2.1	2.3	2.7	2.8
322,715	505,941	1.0	1.4	9.1	4.8	8.4
9,165	7,243	2.0	0.9	0.2	0.1	0.1
228,645	260,506	3.2	1.6	2.8	3.4	4.3
$ 6,677,396	$ 6,003,551	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 240,643	$ 227,901	3.1 %	4.6 %	4.8 %	3.6 %	3.8 %
1,125,697	968,823	16.5	17.3	15.6	16.9	16.1
315,211	302,494	4.0	4.6	4.1	4.7	5.0
1,084,206	922,062	23.0	20.7	18.0	16.2	15.4
1,329,238	1,133,195	17.5	20.0	25.9	19.9	18.9
784,715	833,243	8.9	9.3	10.1	11.8	13.9
510,420	66,029	11.2	12.5	8.7	7.6	1.1
$ 5,390,130	$ 4,453,747	84.2 %	89.0 %	87.2 %	80.7 %	74.2 %
$ 1,287,266	$ 1,549,804	15.8 %	11.0 %	12.8 %	19.3 %	25.8 %
$ 40,270	$ (12,484)					
480,542						
$ 520,812	$ (12,484)					
$ 1,808,078	$ 1,537,320					
4,836,845	3,299,525					
$ 6,644,923	$ 4,836,845					

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	$ 4,330,448	$ 4,520,237	$ 3,890,737
Penalty and Interest	79,639	55,697	77,789
Interest on Investments	81,426	45,292	11,883
Miscellaneous Revenues	30	30	50
TOTAL REVENUES	$ 4,491,543	$ 4,621,256	$ 3,980,459
EXPENDITURES			
Tax Collection Expenditures	$ 212,966	$ 190,671	$ 212,082
Debt Service Principal	2,415,000	2,365,000	2,055,000
Debt Service Interest and Fees	1,650,904	1,553,225	1,445,963
Bond Issuance Costs	345,958		
Payment to Refunded Bond Escrow Agent	141,000		
TOTAL EXPENDITURES	$ 4,765,828	$ 4,108,896	$ 3,713,045
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (274,285)	$ 512,360	$ 267,414
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	$ 9,850,000	$	$
Bond Premium	460,696		
Bond Discount			
Payment to Refunded Bond Escrow Agent	(9,968,380)		
TOTAL OTHER FINANCING SOURCES (USES)	$ 342,316	$ - 0 -	$ - 0 -
NET CHANGE IN FUND BALANCE	$ 68,031	$ 512,360	$ 267,414
BEGINNING FUND BALANCE	5,674,155	5,161,795	4,894,381
ENDING FUND BALANCE	$ 5,742,186	$ 5,674,155	$ 5,161,795
TOTAL ACTIVE RETAIL WATER CONNECTIONS	5,995	5,960	5,940
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	5,950	5,915	5,895

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
$ 3,412,886	$ 3,595,715	96.4 %	97.8 %	97.7 %	97.8 %	98.3 %
66,081	40,741	1.8	1.2	2.0	1.9	1.1
10,046	8,614	1.8	1.0	0.3	0.3	0.2
90	13,073					0.4
$ 3,489,103	$ 3,658,143	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 190,893	$ 177,391	4.7 %	4.1 %	5.3 %	5.5 %	4.8 %
1,730,000	1,465,000	53.8	51.2	51.6	49.6	40.0
1,276,101	1,434,724	36.8	33.6	36.3	36.6	39.2
	313,514	7.7				8.6
	22,000	3.1				0.6
$ 3,196,994	$ 3,412,629	106.1 %	88.9 %	93.2 %	91.7 %	93.2 %
$ 292,109	$ 245,514	(6.1) %	11.1 %	6.8 %	8.3 %	6.8 %
$ 90,891	$ 8,965,000					
	(132,225)					
	(8,519,261)					
$ 90,891	$ 313,514					
$ 383,000	$ 559,028					
4,511,381	3,952,353					
$ 4,894,381	$ 4,511,381					
5,874	5,745					
5,846	5,724					

See accompanying independent auditor’s report.

TIMBER LANE UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2019

District Mailing Address	-	Timber Lane Utility District c/o Smith, Murdaugh, Little & Bonham LLP 2727 Allen Parkway, Suite 1100 Houston, TX 77019
District Telephone Number	-	(713) 652-6500

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended June 30, 2019	Expense Reimbursements for the year ended June 30, 2019	Title
Daniel M. Meacham	05/16 05/20 (Elected)	$ 6,300	$ 3,974	President
Robert Schenck	05/18 05/22 (Elected)	$ 7,200	$ 13,863	Vice President
James F. Messer	05/18 05/22 (Elected)	$ 6,750	$ 5,164	Secretary
A. F. (Bud) Gessel	05/16 05/20 (Elected)	$ 6,450	$ 29,214	Assistant Secretary
Eric Langstaff	05/18 05/22 (Elected)	$ 7,200	$ 4,146	Director

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

Submission Date of most recent District Registration Form: July 11, 2019.

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

TIMBER LANE UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2019

Consultants:	Date Hired	Fees for the year ended June 30, 2019	Title
Smith, Murdaugh, Little & Bonham LLP	08/27/03	$ 133,753 $ 319,853 $ 25,578	General Counsel/ Bond Counsel/ Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	06/10/14	$ 18,300 $ 2,400	Audit Bond Related
Van De Wiele & Vogler, Inc.	11/24/98	$ 420,971	Engineer
Myrtle Cruz, Inc.	08/06/08	$ 66,453	Bookkeeper
Masterson Advisors LLC	05/10/18	$ 213,329	Financial Advisor
Bill Russell	11/14/13	$ -0-	Investment Officer
Hays Utility South Corporation	07/22/90	$ 846,424	Operator
Tammy Carby	04/10/97	$ 128,059	Tax Collector
A. F. (Bud) Gessel	04/01/17	$ 42,204	Parks General Manager

See accompanying independent auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

MEMBER: [NAME OF MEMBER]

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

Policy No: _____

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

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)