

OFFICIAL STATEMENT DATED MAY 14, 2020

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE “TAX MATTERS” FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE BEEN DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS.”

NEW ISSUE-Book-Entry Only

Insured Ratings (AGM): S&P “AA” (stable outlook)
Underlying Rating: Moody’s “A2”
See “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE” herein.

\$8,460,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106 (A political subdivision of the State of Texas located within Harris County) UNLIMITED TAX REFUNDING BONDS SERIES 2020

Dated: June 1, 2020

Due: September 1, as shown below

Principal of the Bonds will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrars, initially The Bank of New York Mellon Trust Company, N.A. (the “Paying Agent/Registrar,” “Paying Agent” or “Registrar”) in Dallas, Texas. Interest on the Bonds will accrue from June 1, 2020 and be payable on September 1, 2020 (three months of interest) and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The Bonds will be issued only in fully registered form in \$5,000 denominations or integral multiples thereof. The Bonds 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. 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 ASSURED GUARANTY MUNICIPAL CORP. See “MUNICIPAL BOND INSURANCE” herein

MATURITY SCHEDULE

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2021	\$ 5,000	3.00	% 1.40	% 41421QJM0	2025	\$ 1,395,000	3.00	% 1.68	% 41421QJR9
2022	1,085,000	3.00	1.35	41421QJN8	2026	1,455,000	3.00	1.75	41421QJS7
2023	1,305,000	3.00	1.46	41421QJP3	2027	940,000 (c)	3.00	1.82	41421QJT5
2024	1,350,000	3.00	1.57	41421QJQ1	2028	925,000 (c)	3.00	1.88	41421QU2

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Underwriter (as herein defined) for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. 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 June 1, 2020, is to be added to the price.
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Bonds maturing on and after September 1, 2027, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2026, 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 Harris County Municipal Utility District No. 106 (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 located 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. The Bonds are subject to special investment risks described herein. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Bond Counsel. Certain legal matters will be passed on for the Underwriter by McCall, Parkhurst & Horton, L.L.P. Houston, Texas, as Underwriter’s Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about June 17, 2020.

RAYMOND JAMES

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027 upon payment of the costs of duplication therefor.

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

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this OFFICIAL STATEMENT or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “MUNICIPAL BOND INSURANCE” and “APPENDIX B—Specimen Municipal Bond Insurance Policy.”

OFFICIAL STATEMENT SUMMARY

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

THE FINANCING

The Issuer Harris County Municipal Utility District No. 106 (the “District”), a political subdivision of the State of Texas, is located in Harris County, Texas. See “THE DISTRICT.”

The Issue \$8,460,000 Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”) are issued pursuant to a resolution (the “Bond Resolution”) of the District’s Board of Directors authorizing the issuance of the Bonds. The Bonds will be issued as fully registered bonds maturing in each of the years 2021 through 2028, both inclusive, and in the principal amounts and paying interest at the rates shown on the cover hereof. Interest on the Bonds accrues from June 1, 2020 and is payable on September 1, 2020 (three months of interest), and on each March 1 and September 1 thereafter until the earlier of maturity or prior redemption. See “THE BONDS.”

The Bonds maturing on and after September 1, 2027, 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 September 1, 2026, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See “THE BONDS.”

Source of and Security

For Payment The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “TAX PROCEDURES.” The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any other political subdivision or agency other than the District. See “THE BONDS—Source of and Security for Payment.”

Authority for Issuance The Bonds are the sixth series of bonds issued out of an aggregate of \$30,000,000 principal amount of unlimited tax refunding bonds authorized by the District’s voters at an election held on August 12, 2000, for the purpose of refunding outstanding bonds of the District. The Bonds are authorized by the District pursuant such election and the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, Chapter 1207 of the Texas Government Code, as amended, City of Houston Ordinance No. 97-416, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance,” “—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”

Payment Record The District has previously issued eleven series of unlimited tax bonds, \$17,360,000 of which remains outstanding as of March 1, 2020 (the “Outstanding Bonds”). The District has never defaulted in the payment of principal and interest on the Outstanding Bonds.

Use of Proceeds Proceeds from the sale of the Bonds, together with any other lawfully available funds of the District, if any, will be used to currently refund and defease \$8,595,000 of the District’s Outstanding Bonds in order to achieve annual and net present value savings in the District’s annual debt service expense. The Bonds to be refunded and discharged with Bond proceeds are referred to herein as the “Refunded Bonds.” Bond proceeds will also be used to pay certain costs associated with issuance of the Bonds, including the payment of any insurance premium. After the issuance of the Bonds, \$8,765,000 principal amount of the Outstanding Bonds will remain outstanding (the “Remaining Outstanding Bonds”) and the total outstanding debt of the District will be \$17,225,000. See “PLAN OF FINANCING—Refunded Bonds” and “—Sources and Uses of Funds.”

Qualified Tax-Exempt

Obligations The Bonds have been designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS—Qualified Tax-Exempt Obligations.”

<i>Municipal Bond Rating and Municipal Bond Insurance</i>	It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) will assign a municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. Moody’s Investors Service (“Moody’s”) has also assigned an underlying rating of “A2” to the Bonds. An explanation of the ratings may be obtained from S&P and Moody’s. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”
<i>Bond Counsel</i>	Allen Boone Humphries Robinson LLP, Houston, Texas. See “MANAGEMENT,” “LEGAL MATTERS,” and “TAX MATTERS.”
<i>Underwriter’s Counsel</i>	McCall, Parkhurst & Horton, L.L.P, Houston, Texas.
<i>Financial Advisor</i>	Masterson Advisors LLC, Houston, Texas.
<i>Paying Agent/Registrar</i>	The Bank of New York Mellon Trust Company, N. A., Dallas, Texas.
<i>Escrow Agent</i>	The Bank of New York Mellon Trust Company, N. A., Dallas, Texas.
<i>Verification Agent</i>	Public Finance Partners LLC, Rockford, Minnesota. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

INFECTIOUS DISEASE OUTLOOK (COVID-19)

<i>General</i>	The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. As described herein under “INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)”, federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.
<i>Impact</i>	Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas.

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

While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District’s financial condition. See “INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19).”

SEVERE WEATHER EVENTS; 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 multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days and Tropical Storm Imelda in September 2019.

Impact on the District According to Inframark (the “System Operator”), the District’s System (as defined herein) did not sustain any material damage, there was no interruption of water and sewer service, and no homes within the District experienced structural flooding or other material damage as a result of Hurricane Harvey or Tropical Storm Imelda.

If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected. See “INVESTMENT CONSIDERATIONS—Severe Weather Events; Hurricane Harvey.”

THE DISTRICT

Description..... The District was created by order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”), dated October 31, 1978. The District presently contains approximately 508 acres of land located in the northeast portion of Harris County approximately 25 miles from downtown Houston, Texas. The District lies entirely within the extraterritorial jurisdiction of the City of Houston and within Humble Independent School District.

Eagle Springs Development..... The District is a portion of the Eagle Springs community. Eagle Springs encompasses 1,404 acres of land including single-family, multi-family and commercial usages. Approximately 1,359 acres are located within the boundaries of two municipal utility districts. Approximately 508 acres are within the boundaries of the District, and approximately 851 acres are within the boundaries of Harris County Municipal Utility District No. 290 (“MUD 290”). Development of Eagle Springs began in 2000. As of March 1, 2020, the Eagle Springs community contained a total of 4,002 houses completed or under construction, of which 1,291 are located in the District and 2,711 are located in MUD 290.

Status of Development..... Construction of water, sanitary sewer and drainage facilities and paving to serve Eagle Springs, Sections 1 through 16 and 51 located within the District (approximately 383 acres of land developed into 1,295 single-family residential lots) is complete. As of March 1, 2020, the District contained 1,286 active single-family connections, 5 inactive single-family home connections, and 4 homes under construction or in builder’s name. Chesmar Homes is the sole homebuilder currently in the District. The average house value based on the 2019 tax rolls is approximately \$250,000.

Approximately 34 acres of land in the District have been developed for commercial usages, and taxable improvements have been constructed on all of such acreage. Such improvements include a Primrose Learning Center, an Alzheimer’s residential building, a CVS pharmacy, a small strip shopping center, a Public Storage facility, two day care centers, and two medical office buildings. In addition, a 110-unit apartment complex has been constructed and a senior living apartment complex is currently under construction with an expected completion by the end of 2020.

Humble Independent School District has constructed an elementary school on a 13-acre school site within the District. In addition, a church has been constructed within the District on approximately 6 acres. The school and church are exempt from taxation by the District.

Additionally, approximately 28 acres of land are contained in drainage easements, rights-of-way and a water plant site, and 44 acres are included in recreational facilities and open space areas. See “THE DISTRICT—Status of Development.”

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION

2019 Certified Taxable Assessed Valuation.....	\$345,547,520 (a)
Gross Direct Debt Outstanding	\$17,225,000 (b)
Estimated Overlapping Debt	<u>16,867,112</u> (c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$34,092,112
Ratio of Gross Direct Debt to:	
2019 Certified Taxable Assessed Valuation	4.98%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:	
2019 Certified Taxable Assessed Valuation.....	9.87%
2019 Tax Rate:	
Debt Service	\$0.560
Maintenance and Operations	<u>0.305</u>
Total.....	\$0.865/\$100 A.V.
Average percentage of total tax collections (2015-2019)	99.52%
Average Annual Debt Service Requirement (2020-2031) of the Bonds and the Remaining Outstanding Bonds (“Average Annual Requirement”).....	\$1,693,953 (d)
Tax rate required to pay Average Annual Requirement based upon:	
2019 Certified Taxable Assessed Valuation at a 95% collection rate	\$0.52 (e)
Maximum Annual Debt Service Requirement (2021) of the Bonds and the Remaining Outstanding Bonds (“Maximum Annual Requirement”).....	\$1,962,056 (d)
Tax rate required to pay Maximum Annual Requirement based upon:	
2019 Certified Taxable Assessed Valuation at a 95% collection rate	\$0.60 (e)
Connection Count as of March 1, 2020 (f):	
Single-family residential – completed and occupied	1,286
Single-family residential – completed and unoccupied	5
Homes under construction or in Builder’s Name.....	4
Commercial connections	16
Other connections.....	52
Total	1,363

Estimated 2020 population — 4,501 (g)

- (a) As certified by the Harris County Appraisal District (the “Appraisal District”). See “TAX PROCEDURES.”
- (b) After the issuance of the Bonds and excludes the Refunded Bonds. See “FINANCIAL STATEMENT—Outstanding Bonds.”
- (c) See “ESTIMATED OVERLAPPING DEBT AND OVERLAPPING TAXES.”
- (d) See “DEBT SERVICE REQUIREMENTS.”
- (e) See “TAX DATA—Tax Adequacy for Debt Service.”
- (f) See “THE DISTRICT—Status of Development”
- (g) Based upon 3.5 persons per occupied single-family connection.

OFFICIAL STATEMENT

\$8,460,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
(A political subdivision of the State of Texas located within Harris County)

**UNLIMITED TAX REFUNDING BONDS
SERIES 2020**

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 106 (the “District”) of its \$8,460,000 Unlimited Tax Refunding 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, Chapter 1207 of the Texas Government Code, as amended, City of Houston Ordinance No. 97-416, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, an election held within the District and a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”).

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District upon payment of the costs of duplication therefor.

PLAN OF FINANCING

Purpose

The proceeds of the Bonds, together with any other lawfully available funds of the District, if any, will be used to currently refund and defease outstanding portions of the District’s original issue of \$3,195,000 Unlimited Tax Refunding Bonds, Series 2011, \$2,280,000 Unlimited Tax Refunding Bonds, Series 2012, and \$9,625,000 Unlimited Tax Refunding Bonds, Series 2013 in order to achieve a reduction in the District’s annual debt service expense. Such refunded portions reflected below are collectively referred to as the “Refunded Bonds.” See “Refunded Bonds” below. A total of \$8,765,000 in principal amount of the District’s Outstanding Bonds will remain outstanding after the issuance of the Bonds (the “Remaining Outstanding Bonds”). See “—Sources and Uses of Funds” herein and “FINANCIAL STATEMENT—Outstanding Bonds”

Refunded Bonds

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

Maturity Date	Series	Series	Series
<u>September 1</u>	<u>2011 Refunding</u>	<u>2012 Refunding</u>	<u>2013 Refunding</u>
2022	\$ 255,000 (a)	\$ -	\$ 830,000
2023	255,000 (a)	185,000 (a)	870,000
2024	265,000	190,000 (a)	905,000
2025	290,000	195,000 (a)	930,000
2026	-	215,000 (a)	1,270,000
2027	-	-	975,000
2028	-	-	965,000
	<u>\$ 1,065,000</u>	<u>\$ 785,000</u>	<u>\$ 6,745,000</u>
Redemption Date:	June 23, 2020	September 1, 2020	September 1, 2020

(a) Represents sinking fund payments on term bonds.

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds with lawfully available debt service funds, exclusive of accrued interest, will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds	\$8,460,000.00
Plus: Premium on the Bonds.....	502,831.00
Plus: Transfer from Debt Service Fund	81,000.00
Total Sources of Funds.....	<u>\$9,043,831.00</u>
Uses of Funds:	
Deposit to Escrow Agent	\$8,735,559.60
Issuance Expenses and Underwriters' Discount (a).....	308,271.40
Total Uses of Funds	<u>\$9,043,831.00</u>

(a) Includes municipal bond insurance premium.

Escrow Agreement and Defeasance of Refunded Bonds

The Refunded Bonds, and the interest due thereon, are to be paid on each principal or Interest Payment Date and on the redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A. as escrow agent (the "Escrow Agent").

The Bond Resolution provides that the District and the Escrow Agent will enter into an escrow agreement (the "Escrow Agreement") to provide for the discharge and defeasance of the Refunded Bonds. The Bond Resolution further provides that from the proceeds of the sale of the Bonds and other available funds of the District, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the "Escrow Fund") and used to purchase United States Treasury Obligations (the "Escrowed Obligations"). At the time of delivery of the Bonds, Public Finance Partners LLC, will verify to the District, or other securities authorized by Chapter 1207, Texas Government Code, the Escrow Agent and the Underwriter that the Escrowed Obligations are sufficient in principal amount and are scheduled to mature at such times and to yield interest in such amounts, together with uninvested funds, if any, in the Escrow Fund, to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS." Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds. By the deposit of the Escrowed Obligations and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolutions of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of amounts so deposited, and the amounts so deposited and invested in the Escrow Fund will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$8,595,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding	Less: Debt	Plus: Debt Service on the Bonds			Total
	Bonds		Service on the	Principal	Interest	
	Debt Service	Refunded Bonds				Total
	Requirements					Requirements
2020	\$ 2,011,569	\$ 150,178		\$ 63,450	\$ 63,450	\$ 1,924,841
2021	2,003,613	300,356	\$ 5,000	253,800	258,800	1,962,056
2022	1,990,963	1,385,356	1,085,000	253,650	1,338,650	1,944,256
2023	1,990,100	1,571,106	1,305,000	221,100	1,526,100	1,945,094
2024	1,982,100	1,574,906	1,350,000	181,950	1,531,950	1,939,144
2025	1,982,350	1,581,931	1,395,000	141,450	1,536,450	1,936,869
2026	1,968,856	1,600,719	1,455,000	99,600	1,554,600	1,922,738
2027	1,941,044	1,039,281	940,000	55,950	995,950	1,897,713
2028	1,885,319	995,156	925,000	27,750	952,750	1,842,913
2029	1,042,763	-	-	-	-	1,042,763
2030	1,004,169	-	-	-	-	1,004,169
2031	964,888	-	-	-	-	964,888
Total	\$ 20,767,731	\$ 10,198,991	\$ 8,460,000	\$ 1,298,700	\$ 9,758,700	\$ 20,327,441

Average Annual Debt Service Requirements (2020-2031)\$1,693,953
 Maximum Annual Debt Service Requirements (2021)\$1,962,056

THE BONDS

Description

The Bonds will be dated and accrue interest from June 1, 2020, with interest payable each September 1 and March 1 (each an "Interest Payment Date"), beginning September 1, 2020, and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the registered owner of record (the "Registered Owner") as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

Authority for Issuance

At a bond election held within the District on August 12, 2000, the voters of the District authorized the issuance of a total of \$30,000,000 principal amount of unlimited tax refunding bonds. After the issuance of the Bonds, \$28,004,782.76 principal amount of authorized and unissued unlimited tax refunding bonds will remain from such authorization. See "Issuance of Additional Debt" herein.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, an election held within the District, City of Houston Ordinance No. 97-416, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. 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 Proceedings."

Source of and Security for Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

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

Funds

In the Bond Resolution, the Debt Service Fund is confirmed, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Resolution shall be deposited, as collected, in such fund.

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. Any monies remaining after the refunding of the Refunded Bonds and payment of issuance costs will be deposited into the Debt Service Fund.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be “arbitrage bonds” under the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Resolution that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

Record Date

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2027, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2026, or on any date thereafter, at a price equal to the principal amount thereof 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 particular maturities of Bonds to be redeemed shall be selected by the District. If fewer than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

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 fewer 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 be 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 that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Registration and Transfer

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 terms of the Bond Resolution. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See “BOOK-ENTRY-ONLY SYSTEM.”

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered Owners of lost, stolen or destroyed bonds will be required to pay the District’s costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”), necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. The District voters have authorized the issuance of \$54,570,000 principal amount of unlimited tax bonds for such improvements and facilities, of which \$23,800,000 principal amount remain authorized but unissued. Additionally, the District voters have authorized \$30,000,000 principal amount of unlimited tax refunding bonds, of which \$28,004,782.76 will remain authorized but unissued after the issuance of the Bonds. The Bond Resolution 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. See “INVESTMENT CONSIDERATIONS—Future Debt.”

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue such bonds, the following actions would be required: (a) approval of a detailed fire plan by the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”); (b) authorization of the detailed fire plan and bonds for such purpose by the qualified voters in the District; (c) approval of the bonds by the Commission; and (d) approval of bonds by the Attorney General of Texas. The Board has not considered preparing a fire plan or calling an election at this time for such purposes.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park projects and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

Issuance of additional bonds could dilute the investment security for the Bonds.

Annexation by the City of Houston

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

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

Strategic Partnership

On December 12, 2008, the District entered into a Strategic Partnership Agreement (the “SPA”) with the City of Houston (the “City”) pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a “limited purpose annexation” of that portion of the District developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Residential development within the District is not subject to the limited purpose annexation. The SPA, as amended on December 12, 2019, also provides that the City will not annex the District for “full purposes” for at least thirty (30) years and then only if the District’s Board of Directors requests such annexation. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater, and drainage facilities must be assumed by the City to the maximum extent permitted by Commission rules.

Upon execution of the SPA, the City imposed the one percent (1%) retail City Sales Tax within the portion of the District included in the limited purpose annexation. The City pays to the District an amount equal to one-half of all retail sales tax revenues generated within such area of the District and received by the City from the Comptroller (herein defined as the "Sales Tax Revenue"). Pursuant to State law, the District is authorized to use the Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash) and liabilities (such as the Bonds) with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, 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 Resolution. Except for mandamus, the Bond Resolution 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. In the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution 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."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which might 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.

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, 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 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.

BOOK-ENTRY-ONLY SYSTEM

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 or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will 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 "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds, of each series will be issued as fully-registered Bonds 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. With respect to each series of the Bonds, one fully-registered Bond certificate will be issued of each such series for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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 rating of "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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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 neither the District nor the Initial Purchaser take any responsibility for the accuracy thereof.

THE DISTRICT

General

Harris County Municipal Utility District No. 106 (the “District”) is a municipal utility district created by order of the Texas Water Commission (now the TCEQ), dated October 31, 1978, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes applicable to municipal utility districts. The District is located wholly within the exclusive extraterritorial jurisdiction of the City of Houston, Texas (“Houston” or the “City”).

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 parks and recreational facilities for the residents of the District, to contract for or employ its own peace officers and, after approval by the Commission and the voters of the District, to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts.

The TCEQ 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 for the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, fire-fighting facilities and recreational facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to 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.”

The District contains approximately 508 acres of land. The District is located approximately 25 miles northeast of downtown Houston and approximately seven miles east of Bush Intercontinental Airport. The District is located approximately 6 miles east of U.S. Highway 59 (the “Eastex Freeway”) and is accessible via the Eastex Freeway to Will Clayton Parkway, then east on Will Clayton Parkway six miles to the entrance to the District. The entrance is at the intersection of Will Clayton Parkway and Timber Forest Drive. Atascocita Road forms the north boundary and Timber Forest Drive forms the west boundary of the District.

Eagle Springs Development

The District is a portion of the Eagle Springs community. Eagle Springs encompasses 1,404 acres of land at full development including single-family, multi-family and commercial usages. Approximately 1,359 acres are located within the boundaries of two municipal utility districts. Approximately 508 acres are within the boundaries of the District, and approximately 851 acres are within the boundaries of Harris County Municipal Utility District No. 290 (“MUD 290”). Development of Eagle Springs began in 2000. As of March 1, 2020, the Eagle Springs community contained a total of 4,002 houses completed or under construction, of which 1,291 are located in the District and 2,711 are located in MUD 290.

Status of Development

Construction of water, sanitary sewer and drainage facilities and paving to serve Eagle Springs, Sections 1 through 16 and 51 located within the District (approximately 383 acres of land developed into 1,295 single-family residential lots) is complete. As of March 1, 2020, the District contained 1,286 active single-family connections, 5 inactive single-family home connections, and 4 homes under construction or in a builder's name. Chesmar Homes is the sole homebuilder currently in the District. The average house value based on the 2019 tax rolls is approximately \$250,000.

Approximately 34 acres of land in the District have been developed for commercial usages, and taxable improvements have been constructed on all of such acreage. Such improvements include a Primrose Learning Center, an Alzheimer's residential building, a CVS pharmacy, a small strip shopping center, a Public Storage facility, two day care centers, and two medical office buildings. In addition, a 110-unit apartment complex has been constructed and a senior living apartment complex is currently under construction with an expected completion by the end of 2020.

Humble Independent School District has constructed an elementary school on a 13-acre school site within the District. In addition, a church has been constructed within the District on approximately 6 acres. The school and church are exempt from taxation by the District.

Additionally, approximately 28 acres of land are contained in drainage easements, rights-of-way and a water plant site, and 44 acres are included in recreational facilities and open space areas.

Community Facilities

Community facilities are located in the general vicinity of the District. Neighborhood shopping facilities, including supermarkets, pharmacies, cleaners, restaurants, banking facilities and other retail and service establishments are located within two miles of the District along areas adjacent to F.M. 1960, Atascocita Road and U.S. Highway 59. Fire protection for the District is provided by the Atascocita Volunteer Fire Department which operates two area fire stations. Additional fire protection is provided by other area volunteer fire departments and the City of Humble pursuant to mutual aid agreements. Medical care for District residents is available from the Northeast Medical Center Hospital in the City of Humble, approximately four and one-half miles west of the District. Numerous other medical facilities are located in the Houston Metropolitan area. The land within the District is located within the boundaries of Humble Independent School District, and children within the District attend elementary, junior high and high schools of Humble Independent School District located within five miles of the development in the District. Eagle Springs Elementary School is located in the District.

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. All of the directors listed below either reside or own land 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:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Neil McLeroy	President	May 2022
Tim Beard	Vice President	May 2024
Lonnie J. Kimball	Secretary	May 2022
Michael Hamlin	Assistant Vice President	May 2024
Ralph B. Edgar, Jr.	Assistant Secretary	May 2024

While the District does not employ any full-time employees, it has contracted for certain services as follows:

Tax Assessor/Collector

Land and improvements within 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. TaxTech, Inc. is currently serving in this capacity for the District.

Bookkeeper

The District has engaged Myrtle Cruz, Inc. to serve as the District’s bookkeeper.

System Operator

The District contracts with Inframark 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 BGE, Inc. (the “Engineer”).

Attorney

The District engages Allen Boone Humphries Robinson LLP as general counsel and as Bond Counsel in connection with the issuance of the Bonds. 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.

Financial Advisor

Masterson Advisors LLC (the “Financial Advisor”) serves as financial advisor to the District. The fees to be paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District’s financial statements annually, which annual audit is filed with the TCEQ. The District’s financial statements for the fiscal year ending March 31, 2019 were audited by the independent account firm of McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. The District has engaged McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants to audit the District’s financial statements for the fiscal year ended March 31, 2020. See “APPENDIX A” for a copy of the audited financial statement of the District as of March 31, 2019.

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 in which the District owns capacity 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, Sanitary Sewer and Drainage Facilities

Source of Water Supply: The District obtains water supply capacity from the regional water plant (the “Eagle Springs Water Plant”), which is operated by the District and shared with Harris County Municipal Utility District No. 290 (“MUD 290”). The water plant consists of two 1,500 gallons per minute (“gpm”) wells, one 1,000 gpm well, 2,000,000 gallons of ground storage tank capacity, booster pumps totaling 8,800 gpm capacity, 40,000 gallons of pressure tank capacity, and appurtenant equipment. The District interconnects with MUD 290 and has emergency water interconnect agreements with Harris County Municipal Utility District No. 46 and Trail of the Lakes Municipal Utility District. According to the District Engineer, the Eagle Springs Water Plant has sufficient capacity to serve approximately 4,353 single-family equivalent connections, of which the District owns capacity sufficient to serve 1,614 equivalent single-family connections. The District currently serves approximately 1,450 single-family equivalent connections.

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 Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District’s jurisdiction, including the area within the District. In 2001, the Texas legislature created the West Harris County Regional Water Authority (“Authority”) to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County and a small portion of Fort Bend County. The District is not located within the boundaries of the Authority, but participates in the Authority’s GRP as a contract member. The Authority has entered into a Water Supply Contract with the City of Houston, Texas (“Houston”) to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan (“GRP”) and obtained Subsidence District approval of its GRP. The Authority’s GRP sets forth the Authority’s plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District’s groundwater wells are included within the Authority’s GRP.

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

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty of \$9.24 per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of the then applicable percentage of the total water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

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

Source of Wastewater Treatment: Permanent wastewater treatment for the District and Atascocita and Walden on Lake Houston developments (Harris County MUD Nos. 46, 109, 132, 151, 152, 153, 494 and the District) is being provided by the Atascocita Regional Wastewater Treatment Plant (the "Regional Plant"), the cost of which, together with an interceptor sewer to convey waste to the Regional Plant, is being shared on a pro rata basis (based on capacity) by the participating districts. The Regional Plant is operated by the Atascocita Joint Operations Board (the "AJOB") comprised of one member from each participating district except for Harris County MUD No. 494. Charges for maintenance and operation of the Regional Plant are made on a pro rata basis as determined by the contract between the participating districts. The interceptor sewer and the Regional Plant are complete and operational. The Regional Plant has a capacity of nine million gallons per day (gpd), of which the District owns 600,000 gpd of capacity. The Engineer estimates that the District's 600,000 gpd capacity will serve approximately 2,000 single-family equivalent connections, which is adequate to serve the District at full development and build out, assuming current regulatory criteria and present land use plans. The Regional Plant is designed to permit expansion as warranted by demand within the District and the other participating districts in the Atascocita and Walden on Lake Houston developments.

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 no assurance that homes built in such area will not be flooded. The District's drainage system has been designed and constructed to all current standards. According to the Engineer, no land within the District is located within the 100-year flood plain. See "INVESTMENT CONSIDERATIONS—Severe Weather Events; Hurricane Harvey."

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
8/12/2000,	Water, Sanitary Sewer and Drainage	\$54,570,000	\$30,770,000	\$23,800,000
8/12/2000	Refunding Bonds	\$30,000,000	\$1,995,217.24*	\$28,004,782.76*

* Includes the Bonds.

FINANCIAL STATEMENT

2019 Certified Taxable Assessed Valuation.....	\$345,547,520 (a)
District Debt:	
Outstanding Bonds as of March 1, 2020	\$17,360,000
Less: Refunded Bonds.....	8,595,000
Plus: The Bonds	<u>8,460,000</u>
Gross Debt Outstanding (after the issuance of the Bonds).....	<u>\$17,225,000</u>
Ratio of Gross Direct Debt to:	
2019 Certified Taxable Assessed Valuation	4.98%

Area of District — 508 acres
Estimated 2020 Population — 4,501 (b)

- (a) As certified by the Harris County Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
(b) Estimate based on 3.5 persons per occupied single-family connection.

Cash and Investment Balances (unaudited as of April 17, 2020)

Operating Fund	Cash and Temporary Investments	\$3,556,445	
Capital Projects Fund	Cash and Temporary Investments	\$348,378	
Debt Service Fund	Cash and Temporary Investments	\$3,209,186	(a)

- (a) \$81,000 will be applied towards the refunding of the Refunded Bonds. Neither Texas law nor any bond resolution (including the Bond Resolution) requires the District to maintain any minimum balance in the Debt Service Fund.

Outstanding Bonds

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

Series	Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds	Remaining Outstanding Bonds
2011 (a)	\$ 3,195,000	\$ 1,540,000	\$ 1,065,000	\$ 475,000
2012 (a)	2,280,000	1,295,000	785,000	510,000
2013 (a)	9,625,000	8,345,000	6,745,000	1,600,000
2014 (a)	4,225,000	845,000	-	845,000
2015 (a)	3,755,000	3,675,000	-	3,675,000
2016	1,960,000	1,660,000	-	1,660,000
Total	\$ 25,040,000	\$ 17,360,000	\$ 8,595,000	\$ 8,765,000
The Bonds				<u>8,460,000</u>
The Bonds and Remaining Outstanding Bonds				\$ 17,225,000

(a) Unlimited tax refunding bonds.

ESTIMATED OVERLAPPING DEBT AND OVERLAPPING TAXES

The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and 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 entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of 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 is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Harris County.....	\$ 1,885,182,125	2/29/2020	0.06%	\$ 1,131,109
Harris County Flood Control District.....	83,075,000	2/29/2020	0.06%	49,845
Harris County Department of Education.....	6,320,000	2/29/2020	0.06%	3,792
Harris County Hospital District.....	55,005,000	2/29/2020	0.06%	33,003
Port of Houston Authority.....	572,569,397	2/29/2020	0.06%	343,542
Humble Independent School District.....	757,495,000	2/29/2020	1.90%	14,392,405
Lone Star College District.....	570,885,000	2/29/2020	0.16%	913,416
Total Estimated Overlapping Debt.....				<u>\$ 16,867,112</u>
The District.....	17,225,000 (a)	Current	100.00%	<u>17,225,000</u>
Total Direct and Estimated Overlapping Debt.....				\$ 34,092,112
Ratio of Estimated Direct and Overlapping Debt to 2019 Certified Taxable Assessed Valuation.....				9.87%

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

Overlapping Taxes for 2019

	2019 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority.....	\$ 0.61670
Harris County Emergency Services District No. 46.....	0.10000
Humble Independent School District.....	1.41835
Lone Star College System.....	<u>0.10780</u>
 Total Overlapping Tax Rate.....	 \$ 2.24285
 The District.....	 <u>0.86500</u>
 Total Tax Rate.....	 \$ 3.10785

TAX DATA

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District's Tax Assessor/Collector. Reference is made to such statements and records for further and complete information.

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of March 31, 2020 (a)	
				Amount	Percent
2015	\$ 300,608,295	\$ 0.880	\$2,645,353	\$2,644,057	99.95%
2016	311,707,708	0.870	2,711,857	2,710,749	99.96%
2017	322,704,215	0.860	2,775,256	2,773,621	99.94%
2018	323,624,185	0.880	2,847,893	2,847,243	99.98%
2019	345,547,520	0.865	2,988,986	2,922,916	97.79%

(a) Unaudited.

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. No split payments are allowed, and no discounts are allowed.

Historical Tax Rate Distribution

	2019	2018	2017	2016	2015
Debt Service	\$ 0.560	\$ 0.595	\$ 0.600	\$ 0.630	\$ 0.670
Maintenance and Operations	0.305	0.285	0.260	0.240	0.210
Total	<u>\$ 0.865</u>	<u>\$ 0.880</u>	<u>\$ 0.860</u>	<u>\$ 0.870</u>	<u>\$ 0.880</u>

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance and Operations: \$1.50 per \$100 of taxable assessed valuation.

Debt Service Tax

The Board covenants in the Bond Resolution 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. The District levied a debt service tax for 2019 in the amount of \$0.560 per \$100 of taxable assessed valuation.

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 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 \$1.50 per \$100 of assessed valuation. For the 2019 tax year, the Board levied a maintenance tax in the amount of \$0.305 per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the District's bonds.

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 does not exempt any percentage of the market value of any residential homesteads from taxation. For the tax year 2020, the District has adopted a \$25,000 homestead exemption for persons who are disabled or 65 years of age or older.

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.

Summary of Assessed Valuation

The following summary of the 2019, 2018 and 2017 Certified Taxable Assessed Valuations are provided by the District's Tax Assessor/Collector based on information provided by the Appraisal District and contained in the 2019, 2018 and 2017 tax rolls of the District. Differences in totals may vary slightly from other information herein due to differences in dates of data.

	2019	2018	2017
	Certified Taxable	Certified Taxable	Certified Taxable
	<u>Assessed Valuation</u>	<u>Assessed Valuation</u>	<u>Assessed Valuation</u>
Land	\$ 63,117,909	\$ 63,198,706	\$ 64,665,062
Improvements	307,349,369	283,974,059	280,244,105
Personal Property	5,147,114	6,060,341	6,712,439
Exemptions	(30,066,872)	(29,608,921)	(28,917,391)
Total	<u>\$ 345,547,520</u>	<u>\$ 323,624,185</u>	<u>\$ 322,704,215</u>

Principal Taxpayers

The following list of principal taxpayers was provided by the District’s tax assessor/collector and represents the principal taxpayers’ value as a percentage of the certified 2019 Certified Taxable Assessed Valuation of \$345,547,520. This represents ownership as of January 1, 2019.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2019 Certified Taxable Assessed Valuation</u>	<u>% of 2019 Certified Taxable Assessed Valuation</u>
PS LPT Properties Investors	Land and Improvements	\$ 9,071,422	2.63%
Aguila Springs CLA Partners Ltd.	Land and Improvements	6,782,397	1.96%
Riverbrook Village LP	Land and Improvements	4,238,744	1.23%
Betz Eagle Springs Office Center Ltd.	Land and Improvements	3,155,000	0.91%
HZ Investments LP	Land and Improvements	2,355,109	0.68%
Anderson Acres 2002E TX LP	Land and Improvements	2,070,552	0.60%
MorganKids Holdings LLC	Land and Improvements	1,831,530	0.53%
Eagle Springs Plaza LLC	Land and Improvements	1,690,037	0.49%
American Homes 4 Rent	Land and Improvements	1,559,901	0.45%
Sugar Way Ltd.	Land and Improvements	1,469,836	0.43%
Total		\$ 34,224,528	9.90%

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 Certified Taxable Assessed Valuation of \$345,547,520, no use of available funds, and utilize tax rates necessary to pay the District’s average annual debt service requirements and maximum annual debt service requirements on the Remaining Outstanding Bonds and the Bonds.

Average annual debt service requirement (2020-2031)	\$1,693,953
\$0.52 tax rate on the 2019 Certified Taxable Assessed Valuation of \$345,547,520 at a 95% collection rate produces	\$1,707,005
Maximum annual debt service requirement (2021)	\$1,962,056
\$0.60 tax rate on the 2019 Certified Taxable Assessed Valuation of \$345,547,520 at a 95% collection rate produces	\$1,969,621

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 Remaining 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 Resolution to levy such a tax from year to year as described more fully herein under “THE BONDS—Source of and Security for Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations. See “TAX DATA—Debt Service Tax” and “—Maintenance Tax.”

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

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

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; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approves it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who was 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 a total tax exemption on such surviving spouse's residence homestead. If the surviving spouse changes homesteads, but does not remarry, then the amount of the exemption as of the last year of the first qualifying residential homestead is applicable to the subsequent homesteads. 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 Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1.

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft 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 fewer than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For 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 all prior and subsequent years.

Tax Abatement

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business 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 Property 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 Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions 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 Property 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.

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.

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 Property Tax Code. The Property 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, may be rejected. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. 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.

Rollback of Operation and Maintenance Tax Rate

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

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax rate. 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 local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "ESTIMATED OVERLAPPING DEBT AND OVERLAPPING TAXES—Overlapping Taxes for 2019." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, 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. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations."

WATER AND SEWER OPERATIONS

General

The Bonds and the Remaining 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 or the Remaining Outstanding Bonds but are available for any lawful purpose including payment of debt service on the Bonds and the Remaining Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds or the Remaining Outstanding Bonds.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for fiscal years March 31, 2016 through March 31, 2019 and from the District's Bookkeeper for the period ended February 29, 2020. Reference is made to such statements and records for further and more complete information.

	4/1/2019 to 2/29/2020 (a)	Fiscal Year Ended March 31			
		2019	2018	2017	2016
Revenues					
Property Taxes	\$ 831,695	\$ 922,578	\$ 854,890	\$ 743,894	\$ 628,594
Water Service	418,557	440,877	451,444	450,546	424,755
Wastewater Service	239,298	257,024	254,023	245,158	241,317
Regional Water Authority Fee	493,700	452,954	420,474	393,937	327,072
Penalty and Interest	33,332	37,525	23,670	27,358	24,909
Tap Connection and Inspection Fees	3,204	264,044	172,070	167,472	-
Sales Tax Revenues	7,818	7,969	8,614	8,203	9,180
Investment Revenues	56,820	60,101	22,695	9,023	6,485
Miscellaneous	-	15,908	56,171	14,866	5,967
Total Revenues	\$ 2,084,424	\$ 2,458,980	\$ 2,264,051	\$ 2,060,457	\$ 1,668,279
Expenditures					
Professional Fees	\$ 147,668	\$ 174,730	\$ 141,935	\$ 120,701	\$ 163,332
Contracted Services	492,502	521,907	436,050	393,824	383,978
Purchased Water Service	611,748	323,634	573,632	543,911	476,860
Purchased Wastewater Service	130,807	130,876	148,815	124,703	122,635
Utilities	89,589	109,736	103,313	95,107	96,101
Repairs and Maintenance	145,360	481,003	143,437	140,632	145,825
Other	112,559	222,511	156,028	120,715	76,583
Capital Outlay	-	10,126	-	38,014	54,484
Total Expenditures	\$ 1,730,233	\$ 1,974,523	\$ 1,703,210	\$ 1,577,607	\$ 1,519,798
Revenues Over (Under) Expenditures	\$ 354,191	\$ 484,457	\$ 560,841	\$ 482,850	\$ 148,481
Other Sources & Uses	\$ (482,722) (b)	\$ -	\$ 10,397	\$ 144,488	\$ 798,788 (c)
Fund Balance (Beginning of Year)	\$ 4,560,405	\$ 4,075,948	\$ 3,504,710	\$ 2,877,372	\$ 1,930,103
Fund Balance (End of Year)	\$ 4,431,874	\$ 4,560,405	\$ 4,075,948	\$ 3,504,710	\$ 2,877,372

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

(b) Represents internal transfers of the District.

(c) Payment from Harris County Municipal Utility District No. 290 for its portion of shared facilities.

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—Source of and Security 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 taxable property within the District will 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" within.

Infectious Disease Outlook (COVID-19)

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

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

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

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

The District continues to monitor the spread of COVID-19 and is observing directives from local, state, and national agencies to address the potential impact of COVID-19 upon the District. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition.

Potential Effects of Oil Price Declines on the Houston Area

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

Severe 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 multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days and Tropical Storm Imelda in September 2019.

According to the System Operator, the District's System did not sustain any material damage, there was no interruption of water and sewer service, and no homes within the District experienced structural flooding or other material damage as a result of Hurricane Harvey or Tropical Storm Imelda.

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

Specific Flood Type Risks

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

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

Impact on District Tax Rate

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 Certified Taxable Assessed Valuation of the District (see "FINANCIAL STATEMENT") is \$345,547,520. After issuance of the Bonds, the maximum annual debt service requirement will be \$1,962,056 (2021) and the average annual debt service requirement will be \$1,693,953 (2020-2031) (see "DEBT SERVICE REQUIREMENTS"). Assuming no increase or decrease from the 2019 Certified Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$0.60 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$1,962,056 and a tax rate of \$0.52 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$1,693,953. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2019 Certified Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event the District's assessed valuation does not continue to increase or in the event major taxpayers do not pay their District taxes timely. Increases in taxable values depend primarily on the continuing construction and sale of homes and other taxable improvements within the District. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

Future Debt

The District reserves in the Bond Resolution the right to issue the remaining \$23,800,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, and the District may issue additional bonds which may be voted hereafter. After the issuance of the Bonds, the District will have \$28,004,782.76 in bonds authorized but unissued for refunding purposes. See “THE BONDS— Issuance of Additional Debt” and “THE SYSTEM—Future Debt.” The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage and park facilities must be approved by the Commission.

Tax Collection Limitations

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

Registered Owners’ Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, if it fails to make payments into any fund or funds created in the Bond Resolution, or if it defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, 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 Resolution. Except for mandamus, the Bond Resolution 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 Resolution 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 TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

The District may not be forced into bankruptcy involuntarily.

Environmental Regulations

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

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

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston Galveston 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, 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 2016, 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 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 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 "serious" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. If the EPA ultimately determines that the HGB area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more-stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

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

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

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

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

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

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

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

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

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

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

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

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

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Resolution 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 Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are generally bought, sold or traded in the secondary market.

Changes in Tax Legislation

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The long-term ratings on the Bonds are dependent in part on the financial strength of the 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 Underwriter has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims-paying ability of the Insurer, particularly over the life of the investment. 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 Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this Official Statement under “PLAN OF FINANCING—Escrow Agreement and Defeasance of Refunded Bonds,” “THE BONDS,” “THE DISTRICT—General,” “MANAGEMENT—Attorney,” “TAX PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to 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 upon the sale and delivery of the Bonds.

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

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of 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 or the title of the present officers of the District.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest the Bonds is not subject to the alternative minimum tax on individuals.

The Internal Revenue Code of 1986, as amended (the “Code”) imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The District has covenanted in the Bond Resolution that it will comply with these requirements.

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

Under the Code, taxpayers are required to report on their returns the amount of tax exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2020 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2020.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. Moody's Investors Service ("Moody's") has also assigned an underlying rating of "A2" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

There is no assurance that such ratings will continue for any given period of time or that it 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, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as 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.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

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

Current Financial Strength Ratings

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On November 7, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

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

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Capitalization of AGM

At March 31, 2020:

- The policyholders' surplus of AGM was approximately \$2,573 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$997 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,997 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020).

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

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

Miscellaneous Matters

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

VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Obligations, to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Bonds, (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes, and (c) compliance with the City of Houston Ordinance No. 97-416.

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

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by Raymond James & Associates, Inc. (the "Underwriter") pursuant to a bond purchase agreement with the District (the "Bond Purchase Agreement") at a price of \$8,900,232.98 (representing the principal amount of the Bonds of \$8,460,000.00, plus a premium on the Bonds of \$502,831.00, less an Underwriter's discount of \$62,598.02) plus accrued interest. The Underwriter's obligation is to purchase all of the Bonds, if any are purchased. See "PLAN OF FINANCING—Sources and Uses of Funds."

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

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions 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 Engineer, the Tax Assessor/Collector, the Appraisal District and information from 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 employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, 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" – BGE, Inc. ("Engineer"), and Records of the District ("Records"); "THE SYSTEM"- Engineer; "UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED" - Records; "SELECTED FINANCIAL INFORMATION" and "FINANCIAL STATEMENT" - Harris County Appraisal District and Tax Tech, Inc., Tax Assessor/Collector; "ESTIMATED OVERLAPPING DEBT AND OVERLAPPING TAXES" - Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" - Tax Tech, Inc.; "MANAGEMENT" - District Directors; "DEBT SERVICE REQUIREMENTS" - Financial Advisor; "THE BONDS," "TAX PROCEDURES," and "LEGAL MATTERS" - Allen Boone Humphries Robinson LLP.

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.

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

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

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Tax Tech, Inc., and is included herein in reliance upon the authority of said firm as an expert in assessing and collecting taxes.

Auditor: The District's financial statements for the fiscal year ending March 31, 2019 were audited by McCall Gibson Swedlund Barfoot, PLLC, Certified Public Accountants. See APPENDIX A for a copy of the District's audited financial statements for the fiscal year ended March 31, 2019.

Bookkeeper: The information related to the "unaudited" summary of the District's General Fund as it appears in "WATER AND SEWER OPERATIONS" has been provided by Myrtle Cruz, Inc. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

The District, acting through its Board 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 light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, 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 certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") System.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "FINANCIAL STATEMENT", "TAX DATA," "WATER AND SEWER OPERATIONS," and "DEBT SERVICE REQUIREMENTS" (most of which information is contained in the District's annual audit report) and in APPENDIX A. The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2020. Any financial statements provided by the District shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable year to the MSRB within such six month period and audited financial statements when the audit becomes available.

The District's current fiscal year end is March 31. Accordingly, it must provide updated information by September 30 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 specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or

similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public through the EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered 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 the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered and Beneficial Owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

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

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 106, as of the date shown on the cover page.

/s/ Neil McLeroy
President, Board of Directors
Harris County Municipal Utility District No. 106

ATTEST:

/s/ Lonnie J. Kimball
Secretary, Board of Directors
Harris County Municipal Utility District No. 106

APPENDIX A

Financial Statement of the District for the year ended March 31, 2019

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2019

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2019

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McCALL GIBSON SWEDLUND BARFOOT PLLC
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 106
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 106 (the "District"), as of and for the year ended March 31, 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.

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 March 31, 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 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund and Special Revenue Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

July 19, 2019

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019**

Management's discussion and analysis of Harris County Municipal Utility District No. 106's (the "District") financial performance provides an overview of the District's financial activities for the year ended March 31, 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 all of the District's assets, liabilities and 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 as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current 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 four governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Special Revenue Fund accounts for financial resources collected and administered by the District for the operation of the joint water plant. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019**

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 period. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). Budgetary comparison schedules are included as RSI for the General Fund and Special Revenue 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 \$8,423,235 as of March 31, 2019.

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2019</u>	<u>2018</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 9,155,715	\$ 8,839,243	\$ 316,472
Capital Assets (Net of Accumulated Depreciation)	<u>18,348,808</u>	<u>19,121,354</u>	<u>(772,546)</u>
Total Assets	<u>\$ 27,504,523</u>	<u>\$ 27,960,597</u>	<u>\$ (456,074)</u>
Deferred Outflows of Resources	<u>\$ 253,837</u>	<u>\$ 279,863</u>	<u>\$ (26,026)</u>
Long -Term Liabilities	<u>\$ 17,484,101</u>	<u>\$ 18,929,688</u>	<u>\$ 1,445,587</u>
Other Liabilities	<u>1,851,024</u>	<u>1,770,103</u>	<u>(80,921)</u>
Total Liabilities	<u>\$ 19,335,125</u>	<u>\$ 20,699,791</u>	<u>\$ 1,364,666</u>
Net Position:			
Net Investment in Capital Assets	<u>\$ 202,425</u>	<u>\$ (297,274)</u>	<u>\$ 499,699</u>
Restricted	<u>3,453,739</u>	<u>3,534,916</u>	<u>(81,177)</u>
Unrestricted	<u>4,767,071</u>	<u>4,303,027</u>	<u>464,044</u>
Total Net Position	<u><u>\$ 8,423,235</u></u>	<u><u>\$ 7,540,669</u></u>	<u><u>\$ 882,566</u></u>

The following table provides a summary of the District's operations for the year ended March 31, 2019, and March 31, 2018. The District's net position increased by \$882,566 accounting for a 11.7% increase in net position.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2019</u>	<u>2018</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 2,852,828	\$ 2,798,179	\$ 54,649
Charges for Services	3,144,846	3,050,217	94,629
Other Revenues	<u>144,828</u>	<u>113,572</u>	<u>31,256</u>
Total Revenues	<u>\$ 6,142,502</u>	<u>\$ 5,961,968</u>	<u>\$ 180,534</u>
Expenses for Services	<u>5,259,936</u>	<u>5,083,366</u>	<u>(176,570)</u>
Change in Net Position	<u>\$ 882,566</u>	<u>\$ 878,602</u>	<u>\$ 3,964</u>
Net Position, Beginning of Year	<u>7,540,669</u>	<u>6,662,067</u>	<u>878,602</u>
Net Position, End of Year	<u><u>\$ 8,423,235</u></u>	<u><u>\$ 7,540,669</u></u>	<u><u>\$ 882,566</u></u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2019, were \$8,533,662, an increase of \$280,059 from the prior year.

The General Fund fund balance increased by \$484,457. This increase was due to service revenues and property taxes exceeding operation expenditures.

The Debt Service Fund fund balance decreased by \$82,082, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$122,316 due to approved capital expenditures from a prior year bond issue.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current year. Actual revenue was \$402,980 more than budgeted. Actual expenditures were \$28,408 more than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of March 31, 2019, total \$18,348,808 (net of accumulated depreciation). These capital assets include the water, wastewater and drainage systems, as well as the District's investment in the Atascocita Regional Sewage Treatment Plant.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 116,877	\$ 116,877	\$
Capital Assets, Net of Accumulated Depreciation:			
Water System	7,670,624	8,066,873	(396,249)
Wastewater System	3,468,372	3,585,347	(116,975)
Drainage System	6,065,223	6,255,640	(190,417)
Investment in Atascocita Regional Sewage Treatment Plant	1,027,712	1,096,617	(68,905)
Total Net Capital Assets	\$ 18,348,808	\$ 19,121,354	\$ (772,546)

Additional information on the District's capital assets can be found in Note 6 of this report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019**

LONG-TERM DEBT ACTIVITY

As of March 31, 2019, the District had total bond debt payable of \$18,790,000.

The changes in the debt position of the District during the year ended March 31, 2019, are summarized as follows:

Bond Debt Payable, April 1, 2018	\$ 20,195,000
Less: Bond Principal Paid	<u>1,405,000</u>
Bond Debt Payable, March 31, 2019	<u>\$ 18,790,000</u>

The District’s bonds carry an underlying rating of “BBB+”. The Series 2011 Refunding, 2012 Refunding, 2013 Refunding and 2015 Refunding bonds carry an “AA” rating by virtue of bond insurance issued by Assured Guaranty Municipal Corporation. The Series 2014 Refunding bonds carry an “AA” rating by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2016 bonds were originally insured by virtue of bond insurance issued by National Public Finance Group. National Public Finance Group’s rating has been withdrawn. The above ratings are as of March 31, 2019 and reflect all rating changes through that date.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 106, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2019

	General Fund	Special Revenue Fund
ASSETS		
Cash	\$ 180,585	\$ 177,829
Investments	3,555,665	
Receivables:		
Property Taxes	17,530	
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Uncollectible Accounts of \$1,500)	7,437	
Accrued Interest	8,001	
Due from Other Funds	864,417	45,587
Prepaid Costs	1,679	
Due from Other Governmental Units	3,397	77,026
Advance for Water Plant Operations	64,750	
Advance for Regional Wastewater Treatment Plant Operations	72,000	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 4,775,461	\$ 300,442
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,775,461	\$ 300,442

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 1,981,290	\$ 102,246	\$ 2,441,950	\$	\$ 2,441,950
1,458,253	1,272,094	6,286,012		6,286,012
37,438		54,968		54,968
			5,589	5,589
		7,437		7,437
8,520		16,521		16,521
19,158		929,162	(929,162)	
		1,679	189,136	190,815
		80,423		80,423
		64,750	(64,750)	
		72,000		72,000
			116,877	116,877
			<u>18,231,931</u>	<u>18,231,931</u>
<u>\$ 3,504,659</u>	<u>\$ 1,374,340</u>	<u>\$ 9,954,902</u>	<u>\$ 17,549,621</u>	<u>\$ 27,504,523</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 253,837</u>	<u>\$ 253,837</u>
<u>\$ 3,504,659</u>	<u>\$ 1,374,340</u>	<u>\$ 9,954,902</u>	<u>\$ 17,803,458</u>	<u>\$ 27,758,360</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2019

	General Fund	Special Revenue Fund
LIABILITIES		
Accounts Payable	\$ 103,502	\$ 115,442
Accrued Interest Payable		
Due to Other Funds	64,745	
Security Deposits	29,279	
Advance for Joint Water Plant Operations		185,000
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 197,526	\$ 300,442
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 17,530	\$ -0-
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 1,679	\$
For Water Plant Operations	64,750	
For Regional Wastewater Treatment Plant Operations	72,000	
Restricted for Authorized Construction		
Restricted for Debt Service		
Unassigned	4,421,976	
TOTAL FUND BALANCES	\$ 4,560,405	\$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,775,461	\$ 300,442
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 1,602	\$ 2,285	\$ 222,831	\$	\$ 222,831
			48,664	48,664
6,243	858,174	929,162	(929,162)	
		29,279		29,279
		185,000	(64,750)	120,250
			1,430,000	1,430,000
			<u>17,484,101</u>	<u>17,484,101</u>
<u>\$ 7,845</u>	<u>\$ 860,459</u>	<u>\$ 1,366,272</u>	<u>\$ 17,968,853</u>	<u>\$ 19,335,125</u>
<u>\$ 37,438</u>	<u>\$ -0-</u>	<u>\$ 54,968</u>	<u>\$ (54,968)</u>	<u>\$ -0-</u>
\$	\$	\$ 1,679	\$ (1,679)	\$
		64,750	(64,750)	
		72,000	(72,000)	
	513,881	513,881	(513,881)	
3,459,376		3,459,376	(3,459,376)	
		<u>4,421,976</u>	<u>(4,421,976)</u>	
<u>\$ 3,459,376</u>	<u>\$ 513,881</u>	<u>\$ 8,533,662</u>	<u>\$ (8,533,662)</u>	<u>\$ - 0 -</u>
<u>\$ 3,504,659</u>	<u>\$ 1,374,340</u>	<u>\$ 9,954,902</u>		
			\$ 202,425	\$ 202,425
			3,453,739	3,453,739
			<u>4,767,071</u>	<u>4,767,071</u>
			<u>\$ 8,423,235</u>	<u>\$ 8,423,235</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2019

Total Fund Balances - Governmental Funds \$ 8,533,662

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

Unamortized bond insurance costs recorded as prepaid costs in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 189,136

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 18,348,808

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. 253,837

Deferred inflows of resources related to property tax revenues and uncollected penalty and interest revenues on delinquent taxes for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District. 60,557

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (48,664)	
Bonds Payable Within One Year	(1,430,000)	
Bonds Payable After One Year	(17,484,101)	<u>(18,962,765)</u>

Total Net Position - Governmental Activities \$ 8,423,235

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2019

	General Fund	Special Revenue Fund
REVENUES		
Property Taxes	\$ 922,578	\$
Water Service	440,877	2,000,597
Wastewater Service	257,024	
Regional Water Authority Fees	452,954	
Penalty and Interest	37,525	
Tap Connection and Inspection Fees	264,044	
Sales Tax Revenues	7,969	
Investment Revenues	60,101	342
Miscellaneous Revenues	15,908	
TOTAL REVENUES	\$ 2,458,980	\$ 2,000,939
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 174,730	\$ 39,899
Contracted Services	521,907	23,796
Purchased Water Service	323,634	
Purchased Wastewater Service	130,876	
Utilities	109,736	113,703
Regional Water Authority Assessment		1,389,443
Repairs and Maintenance	481,003	22,949
Depreciation		
Other	222,511	67,836
Capital Outlay	10,126	343,313
Debt Service:		
Bond Principal		
Bond Interest		
TOTAL EXPENDITURES/EXPENSES	\$ 1,974,523	\$ 2,000,939
NET CHANGE IN FUND BALANCES	\$ 484,457	\$
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION-		
APRIL 1, 2018	4,075,948	
FUND BALANCES/NET POSITION-		
MARCH 31, 2019	\$ 4,560,405	\$ -0-

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
\$ 1,929,640	\$	\$ 2,852,218	\$ 610	\$ 2,852,828
		2,441,474	(323,634)	2,117,840
		257,024		257,024
		452,954		452,954
16,385		53,910	(926)	52,984
		264,044		264,044
		7,969		7,969
34,301	26,207	120,951		120,951
		15,908		15,908
<u>\$ 1,980,326</u>	<u>\$ 26,207</u>	<u>\$ 6,466,452</u>	<u>\$ (323,950)</u>	<u>\$ 6,142,502</u>
\$ 3,316	\$ 10,766	\$ 228,711	\$	\$ 228,711
45,485		591,188		591,188
		323,634	(323,634)	
		130,876		130,876
		223,439		223,439
		1,389,443		1,389,443
		503,952		503,952
			920,263	920,263
9,069	166	299,582		299,582
	137,591	491,030	(147,717)	343,313
1,405,000		1,405,000	(1,405,000)	
599,538		599,538	29,631	629,169
<u>\$ 2,062,408</u>	<u>\$ 148,523</u>	<u>\$ 6,186,393</u>	<u>\$ (926,457)</u>	<u>\$ 5,259,936</u>
\$ (82,082)	\$ (122,316)	\$ 280,059	\$ (280,059)	\$
			882,566	882,566
<u>3,541,458</u>	<u>636,197</u>	<u>8,253,603</u>	<u>(712,934)</u>	<u>7,540,669</u>
<u>\$ 3,459,376</u>	<u>\$ 513,881</u>	<u>\$ 8,533,662</u>	<u>\$ (110,427)</u>	<u>\$ 8,423,235</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2019**

Net Change in Fund Balances - Governmental Funds	\$	280,059
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.		610
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.		(926)
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.		(920,263)
Governmental funds report capital expenditures as expenditures in the year purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		147,717
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.		1,405,000
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.		(29,631)
Change in Net Position - Governmental Activities	\$	<u>882,566</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 106 of Harris County, Texas (the “District”) was created effective October 31, 1978, by an Order of the Texas Water Rights 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 November 20, 1978, but was inactive until June 21, 2000, when it held a second organizational meeting in the District with newly appointed directors, and the first bonds were sold July 25, 2002.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

The District is a participant with several other districts and entities in the Atascocita Regional Sewage Treatment Plant (the “Plant”). The District’s share of capacity in the Plant is 6.67%. Oversight of the Plant is exercised by a Joint Operations Board comprised of one member from each participating district having five or more single family residential connections or the equivalent thereto. Based on the criteria described above, the Plant’s financial activity has not been included in the District’s financial statements. Transactions with and summary financial information of this agreement are described in Note 8.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District has entered into an agreement with Harris County Municipal Utility District No. 290 (District No. 290) for water service through the District's joint water plant. The District has oversight responsibility over the water plant. Additional disclosure concerning this agreement is provided in Note 9.

Financial Statement Presentation

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

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

- 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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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 period 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 to obtain net total revenues and expenses 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 statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has four 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, costs and general expenditures.

Special Revenue Fund – To account for financial resources restricted, committed or assigned for the operation of the joint water plant.

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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include taxes collected during the current year and taxes collected after March 31, 2019, 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 the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$20,000 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:

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

	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 unappropriated budgets for the General Fund and Special Revenue Fund. The General Fund and Special Revenue Fund budgets were not amended during the current year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered to be “employees” for federal payroll tax purposes only.

Measurement Focus

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

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:

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding bonds payable for the year ended March 31, 2019:

	April 1, 2018	Additions	Retirements	March 31, 2019
Bonds Payable	\$ 20,195,000	\$	\$ 1,405,000	\$ 18,790,000
Unamortized Discounts	(61,493)		(4,419)	(57,074)
Unamortized Premiums	201,181		20,006	181,175
Total Long-Term Liabilities	\$ 20,334,688	\$ -0-	\$ 1,420,587	\$ 18,914,101
		Amount Due Within One Year		\$ 1,430,000
		Amount Due After One Year		17,484,101
		Total Long-Term Liabilities		\$ 18,914,101

	Refunding Series 2011
Amount Outstanding – March 31, 2019	\$1,765,000
Interest Rates	3.00% - 4.25%
Maturity Dates - Serially Beginning/Ending	September 1, 2019/2025
Interest Payment Dates	March 1/ September 1
Callable Dates	September 1, 2019*

* Or any date thereafter, in whole or in part, at the option of the District, at a price equal to par plus unpaid accrued interest to the date fixed for redemption. Series 2011 term bonds maturing September 1, 2023, are subject to mandatory redemption beginning September 1, 2022.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

	Refunding Series 2012	Refunding Series 2013	
Amount Outstanding – March 31, 2019	\$1,450,000	\$9,125,000	
Interest Rates	2.375% - 3.25%	2.00% - 3.50%	
Maturity Dates - Serially Beginning/Ending	September 1, 2019/2026	September 1, 2019/2028	
Interest Payment Dates	March 1/ September 1	March 1/ September 1	
Callable Dates	September 1, 2020*	September 1, 2020*	
	Refunding Series 2014	Refunding Series 2015	Series 2016
Amount Outstanding – March 31, 2019	\$995,000	\$3,695,000	\$1,760,000
Interest Rates	2.00% - 3.375%	2.00% - 3.25%	2.00% - 3.00%
Maturity Dates - Serially Beginning/Ending	September 1, 2019/2025	September 1, 2019/2031	September 1, 2019/2031
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2022*	September 1, 2024*	September 1, 2024*

* Or any date thereafter, in whole or in part, at the option of the District, at a price equal to par plus unpaid accrued interest to the date fixed for redemption. Series 2012 term bonds maturing September 1, 2022, September 1, 2024 and September 1, 2026 are subject to mandatory redemption beginning September 1, 2021, September 1, 2023, and September 1, 2025, respectively. Series 2015 term bonds maturing September 1, 2026 are subject to mandatory redemption beginning September 1, 2024. Series 2016 term bonds maturing September 1, 2026 are subject to mandatory redemption beginning September 1, 2024.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

As of March 31, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 1,430,000	\$ 567,769	\$ 1,997,769
2021	1,460,000	535,091	1,995,091
2022	1,485,000	494,788	1,979,788
2023	1,520,000	445,531	1,965,531
2024	1,570,000	393,600	1,963,600
2025-2029	8,490,000	1,130,001	9,620,001
2030-2032	2,835,000	132,939	2,967,939
	<u>\$ 18,790,000</u>	<u>\$ 3,699,719</u>	<u>\$ 22,489,719</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. During the year ended March 31, 2019, the District levied an ad valorem debt service tax rate of \$0.595 per \$100 of assessed valuation, which resulted in a tax levy of \$1,932,113 on the adjusted taxable valuation of \$324,724,860 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 - 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

- A. All investments and any profits realized from or interest accruing on such investments shall belong to the fund from which the moneys for such investments were taken; provided, however, that in the discretion of the Board of Directors the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

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

B. The bond resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to each nationally recognized municipal securities information depository and the state information depository. This information, along with the audited annual financial statements, is to be provided within six (6) months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At March 31, 2019, the carrying amount of the District's deposits was \$3,492,231 and the bank balance was \$3,612,810. 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 March 31, 2019, as listed below:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 180,585	\$ 543,855	\$ 724,440
SPECIAL REVENUE FUND	177,829		177,829
DEBT SERVICE FUND	1,981,290	506,426	2,487,716
CAPITAL PROJECTS FUND	<u>102,246</u>		<u>102,246</u>
TOTAL DEPOSITS	<u>\$ 2,441,950</u>	<u>\$ 1,050,281</u>	<u>\$ 3,492,231</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

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

The District measures its investments in certificates of deposit at acquisition cost.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of March 31, 2019, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
TexPool	\$ 3,011,810	\$ 3,011,810	\$	\$	\$
Certificates of Deposit	543,855	543,855			
<u>DEBT SERVICE FUND</u>					
TexPool	951,827	951,827			
Certificates of Deposit	506,426	506,426			
<u>CAPITAL PROJECTS FUND</u>					
TexPool	1,272,094	1,272,094			
TOTAL INVESTMENTS	\$ 6,286,012	\$ 6,286,012	\$ - 0 -	\$ - 0 -	\$ - 0 -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2019, the District's investment in TexPool was rated AAAM by Standard and Poor's. The District manages credit risk by typically investing in certificates of deposit with balances that are covered by either the FDIC or pledged securities.

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 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 manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2019:

	April 1, 2018	Increases	Decreases	March 31, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 116,877	\$ - 0 -	\$ - 0 -	\$ 116,877
Capital Assets Subject to Depreciation				
Water System	\$ 13,044,739	\$ 137,591	\$	\$ 13,182,330
Wastewater System	5,176,190			5,176,190
Drainage System	8,871,043	10,126		8,881,169
Investment in Atascocita Regional Sewage Treatment Plant	2,513,793			2,513,793
Total Capital Assets Subject to Depreciation	\$ 29,605,765	\$ 147,717	\$ - 0 -	\$ 29,753,482
Less Accumulated Depreciation				
Water System	\$ 4,977,866	\$ 533,840	\$	\$ 5,511,706
Wastewater System	1,590,843	116,975		1,707,818
Drainage System	2,615,403	200,543		2,815,946
Investment in Atascocita Regional Sewage Treatment Plant	1,417,176	68,905		1,486,081
Total Accumulated Depreciation	\$ 10,601,288	\$ 920,263	\$ - 0 -	\$ 11,521,551
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 19,004,477	\$ (772,546)	\$ - 0 -	\$ 18,231,931
Total Capital Assets, Net of Accumulated Depreciation	\$ 19,121,354	\$ (772,546)	\$ - 0 -	\$ 18,348,808

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 \$1.50 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 sanitary sewer system. During the year ended March 31, 2019, the District levied an ad valorem maintenance tax rate of \$0.285 per \$100 of assessed valuation, which resulted in a tax levy of \$925,466 on the adjusted taxable valuation of \$324,724,860 for the 2018 tax year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 8. REGIONAL SEWAGE TREATMENT PLANT

The District is a participant with several other districts and entities in the Atascocita Regional Sewage Treatment Plant (the “Plant”). The District’s share of capacity in the Plant is 6.67%. Oversight of the Plant is exercised by a Joint Operations Board comprised of one member from each participating district having five or more single family residential connections or the equivalent thereto. The Third Amendment and Restated Waste Disposal Contract, effective April 1, 2001, restated the prior contracts by which the District participates in the plant and is to remain in effect until March 15, 2024. The Fourth Amended and Restated Waste Disposal Contract, effective December 1, 2012, restated the prior contract by which the District participates in the plant, allows for sale of a portion of total capacity to Harris County Municipal Utility District No. 494 (“District No. 494”) incrementally between 2014 and 2018, and is in effect until August 1, 2048. Construction costs of the Plant are funded by the contribution of funds from each participating district. The Plant issues no debt.

Each participant is responsible only for its share of the operating costs of the Plant. Participants are billed a monthly amount which is based upon a budget adopted by the Joint Operations Board. At the end of the Plant’s fiscal year, all expenditures are allocated and billed based upon each participant’s pro rata share of capacity in the plant and equivalent sewer connections serviced by the Plant. Any participant over billings or deficits are credited or charged to the participant, as appropriate.

On March 1, 2005, the participants in the plant executed the Agreement for third phase of Atascocita Sanitary Sewer Treatment Plant whereby each of the districts paid their share of the costs of the plant expansion and improvements. On November 1, 2005, the participants in the plant executed the Amended and Restated Agreement for Third Phase of Atascocita Sanitary Sewer Treatment Plant. The phase three expansion was completed in a prior fiscal year. Current capacity in the plant is as follows:

Participants	Percentage
Harris County Municipal Utility District No. 46	6.67%
Harris County Municipal Utility District No. 106	6.67
Harris County Municipal Utility District No. 109	22.59
Harris County Municipal Utility District No. 132	17.11
Harris County Municipal Utility District No. 151	12.05
Harris County Municipal Utility District No. 152	14.63
Harris County Municipal Utility District No. 153	18.08
Harris County Municipal Utility District No. 494	<u>2.20</u>
TOTAL	<u>100.00%</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 8. REGIONAL SEWAGE TREATMENT PLANT (Continued)

The following summary financial data on the regional sewage treatment plant is presented for the fiscal year ended May 31, 2018. A copy of the financial statements for the plant can be obtained by contacting Norton Rose Fulbright US LLP at 1301 McKinney, Suite 5100, Houston, Texas 77010-3095.

	General Fund
Total Assets	\$ 1,353,758
Total Liabilities	<u>334,408</u>
Total Fund Balance	<u>\$ 1,019,350</u>
Total Revenues	\$ 1,755,890
Total Expenditures	<u>1,755,890</u>
Excess Revenues (Expenditures)	\$ -0-
Other Financing Sources (Uses)	
Reserve Adjustment	<u>56,500</u>
Net Increase (Decrease) in Fund Balance	\$ 56,500
Fund Balance, Beginning of Year	<u>962,850</u>
Fund Balance, End of Year	<u>\$ 1,019,350</u>

During the current fiscal year, the District recorded a total of \$130,876 for its share of operating costs of the plant. The District's share of the reserve for operations and maintenance of the regional sewage treatment plant is \$72,000.

NOTE 9. WATER SUPPLY CONTRACT

On July 24, 2006, the District entered into an Amended and Restated Water Supply Agreement with District No. 290. The agreement was effective as of June 25, 2003. This agreement replaced the original Water Supply Agreement entered into on June 25, 2003, and all the amendments to that original agreement. Amendment No. 1 to Amended and Restated Water Supply Agreement was effective on January 28, 2013. Amendment No. 2 to Amended and Restated Water Supply Agreement was effective on August 7, 2015. Amendment No. 3 to Amended and Restated Water Supply Agreement was effective on July 15, 2015. The districts acknowledge that the District has financed the design and construction of certain shared lines and may finance the design and construction of other water plant facilities. From future bond issues, and to the extent District No. 290 has not yet paid its full pro rata share of the total costs, District No. 290 agrees to reimburse the District for its pro rata share of the existing water plant and any shared lines. On August 23, 2013, the District awarded the contract for Water Well No. 3 to Alsay Incorporated in the amount of \$1,984,360. The revised contract amount at March 31, 2016, was \$2,002,201. This project was completed as of March 31, 2016. A calculation was

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 9. WATER SUPPLY CONTRACT (Continued)

performed as of March 31, 2016, and it was determined that District No. 290 still owed the District \$804,906 to meet its full pro rata share of the total costs. During the previous fiscal year, District No. 290 paid this amount to the District. These costs and any other future improvements have or will be allocated 37.07% to the District and 62.93% to District No. 290. Each district will be responsible for the construction, operation, maintenance and repair and extensions of their respective internal water distribution system.

The agreement provides for an operating reserve which currently is \$185,000, with the District's share being \$64,750 and District No. 290's share being \$120,250. Each district will be billed monthly for operations and maintenance of the water plant based upon its proportionate share of costs. Proportionate share is equal to the amount of water used by each individual district, divided by the total amount of water billed by both districts, using the well meters to calculate total water pumped and all connection meters to calculate the total water used. The operators of each district shall calculate such usage from meters, taking into account estimated unaccounted water. During the current fiscal year, the District incurred costs of \$323,634 in relation to this agreement.

The term of the agreement is 50 years. If neither district is annexed by the City of Houston by the end of the initial term, this agreement shall renew for successive one-year terms until terminated by either district on one-year notice to the other.

NOTE 10. EMERGENCY WATER SUPPLY CONTRACTS

Since 1999, the District, District No. 290 and Harris County Municipal Utility District No. 278 (District No. 278) had an Interim Water and Emergency Water Supply Contract which was terminated in a prior fiscal year. On February 8, 2007, this contract was amended and restated to become the Amended and Restated Emergency Water Supply Contract. The term of this agreement is 30 years. During a prior fiscal year, the First Amendment to Amended and Restated Emergency Water Supply Contract was approved, which suspended this agreement due to District No. 278 converting to a chloramine disinfection system, which is not compatible with the Eagle Springs regional water disinfection system.

On July 12, 2000, the District entered into an Emergency Water Supply Contract with Harris County Municipal Utility District No. 46 (District No. 46). The District was responsible for all costs associated with construction of the water line to connect the District's system to District No. 46's system. The rates to be charged by each district for emergency water service shall be equal to one hundred percent (100%) of the then existing rates for residential customers within the supplying district, with the receiving district being considered as one single-family unit for purposes of determining the rate to be charged regardless of the actual number of connections within the receiving district. The term of this agreement is twenty (20) years from the date of

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 10. EMERGENCY WATER SUPPLY CONTRACTS (Continued)

connection of the District's water supply and distribution system to District No. 46's system (August 14, 2001), but may be terminated by either party on 360 days written notice to the other party on any date after the fifth (5th) anniversary thereof.

On November 18, 2015, the District, District No. 290 and Trail of the Lakes Municipal Utility District (Trail of the Lakes) entered into an Emergency Water Supply Agreement. Trail of the Lakes is responsible for the construction of the waterline extension between their water system and the Joint Water System. Shared construction costs were divided as 50% paid by Trail of the Lakes and 50% paid by the District and District No. 290. The rates to be charged by each district for emergency water service shall be \$1.50, plus the applicable West Harris County Regional Water Authority ground pumpage fee per 1,000 gallons of water delivered. The term of this agreement is 40 years from the date of execution.

NOTE 11. GROUNDWATER REDUCTION PLAN PARTICIPATION AGREEMENT

On April 30, 2002, the District entered into a Groundwater Reduction Plan Participation Agreement with the West Harris County Regional Water Authority (the "Authority"). Amendment No. 1 to the agreement was approved on August 11, 2004, whereby District No. 290 and Harris County Municipal Utility District No. 292 (District No. 292) were added as parties to the agreement. Subsequently, District No. 292 was dissolved and the land originally included in District No. 292 was annexed into District No. 290. The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the "Act"), as passed by the 77th Texas Legislature, in 2001. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Authority is overseeing that its participants comply with subsidence district pumpage requirements.

The District is considered a "Contract Member" of the Authority. The District does not lie within the Authority's boundaries and is not entitled to vote for any director of the Authority.

The District agrees to pay the Authority a water well pumpage fee, based on the amount of water pumped from all well(s) owned and operated by the District. This fee will enable the Authority to fulfill its purpose and regulatory functions. The fee currently being charged is \$2.95 per 1,000 gallons of water pumped from each well. During the current fiscal year, the Joint Water Plant recorded expenditures of \$1,389,443 related to this agreement.

The term of this agreement is for 40 years.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omission; and natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide general liability, property coverage, boiler and machinery coverage, pollution liability, workers compensation, auto liability, public officials liability coverage and law enforcement liability. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise, they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 13. INTERFUND PAYABLES AND RECEIVABLES

The General Fund recorded a payable to the Debt Service Fund in the amount of \$19,158 for an over transfer of maintenance tax collections. The Debt Service Fund recorded a payable to the General Fund in the amount of \$6,243 for the over transfer of bond issuance cost reimbursements. The General Fund recorded a payable to the Special Revenue Fund in the amount of \$45,587 for purchased water services. The Capital Projects Fund recorded a payable to the General Fund in the amount of \$858,174 for costs related to the Joint Water Plant improvements and for the amount received from District No. 290 owed from the prior fiscal year.

NOTE 14. STRATEGIC PARTNERSHIP AGREEMENT

Effective December 12, 2008, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas (the "City"). 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 limited purposes within the boundaries of the District.

The District will continue to develop, to own, and to operate and maintain its water and wastewater systems. All taxable property within the District shall not be liable for any present or future debts of the City, and current and future taxes levied by the City shall not be levied on taxable property within the District. Provisions of the Regulatory Plan adopted by the City will be applicable to the Subject Tract. The District's assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period preceding full-purpose annexation.

After the Subject Tract is annexed for limited purposes by the City, the qualified voters of the Subject Tract may vote in City elections pursuant to Local Government Code. The City is responsible for notifying the voters within the Subject Tract.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 14. STRATEGIC PARTNERSHIP AGREEMENT (Continued)

The City shall impose a Sales and Use Tax within the boundaries of the Subject Tract upon the limited-purpose annexation of the Subject Tract. The Sales and Use Tax shall be imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City agreed to pay to the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Subject Tract. The City agreed to deliver to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Controller's office.

In consideration of the sales tax payment and the City's limited-annexation of the Subject Tract, the City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the Agreement.

The District began receiving sales tax revenue during the month of April 2009. During the current fiscal year, the District recorded revenue of \$7,969 in sales tax revenue from the City.

NOTE 15. SECURITY SERVICES CONTRACT

Effective March 1, 2019, the District entered into a new cost sharing agreement for Law Enforcement Services with District No. 290 for the 12-month period March 1, 2019 through February 28, 2020. The agreement can be terminated without cause at any time by any party giving the other parties at least 60 days advance written notice. The District paid costs of \$423,961 for security services. The District's and District No. 290's share of these costs was \$211,981.

NOTE 16. USE OF SURPLUS FUNDS

In accordance with Rule 30 T.A.C. 293.83 (c)(3) of the Commission, by letter dated April 27, 2018, the District approved the use of surplus Capital Projects Fund monies to fund approximately \$70,434 for the District's share of the replacement of the fence surrounding the water plant and water well no. 2 sites with District No. 290. In accordance with Rule 30 T.A.C. 293.83 (c)(3) of the Commission, by letter dated October 26, 2018, the District approved the use of surplus Capital Projects Fund monies to fund approximately \$33,660 for the desilting and rehabilitation of the District's commercial mix pond. In accordance with Rule 30 T.A.C. 293.83 (c)(3) of the Commission, by letter dated March 22, 2019, the District approved the use of surplus Capital Projects Fund monies to fund approximately \$55,219 for the District's share of the repair and rehabilitation of water well no. 1 and related pump, as well as the recoating of the hydro-pneumatic and ground storage tanks at water plant no. 1 with District No. 290.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2019

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 780,000	\$ 922,578	\$ 142,578
Water Service	475,000	440,877	(34,123)
Wastewater Service	245,000	257,024	12,024
Regional Water Authority Fee	500,000	452,954	(47,046)
Penalty and Interest	30,000	37,525	7,525
Tap Connection and Inspection Fees		264,044	264,044
Sales Tax	6,000	7,969	1,969
Investment Revenues	20,000	60,101	40,101
Miscellaneous Revenues		<u>15,908</u>	<u>15,908</u>
TOTAL REVENUES	<u>\$ 2,056,000</u>	<u>\$ 2,458,980</u>	<u>\$ 402,980</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 125,500	\$ 174,730	\$ (49,230)
Contracted Services	494,115	521,907	(27,792)
Purchased Water Service	650,000	323,634	326,366
Purchased Wastewater Service	140,000	130,876	9,124
Utilities	120,000	109,736	10,264
Repairs and Maintenance	161,000	481,003	(320,003)
Other	125,500	222,511	(97,011)
Capital Outlay	<u>130,000</u>	<u>10,126</u>	<u>119,874</u>
TOTAL EXPENDITURES	<u>\$ 1,946,115</u>	<u>\$ 1,974,523</u>	<u>\$ (28,408)</u>
NET CHANGE IN FUND BALANCE	\$ 109,885	\$ 484,457	\$ 374,572
FUND BALANCE - APRIL 1, 2018	<u>4,075,948</u>	<u>4,075,948</u>	
FUND BALANCE - MARCH 31, 2019	<u>\$ 4,185,833</u>	<u>\$ 4,560,405</u>	<u>\$ 374,572</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED MARCH 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Water Service	\$ 2,314,400	\$ 2,000,597	\$ (313,803)
Investment Revenues		342	342
TOTAL REVENUES	<u>\$ 2,314,400</u>	<u>\$ 2,000,939</u>	<u>\$ (313,461)</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 16,500	\$ 39,899	\$ (23,399)
Contracted Services	6,000	23,796	(17,796)
Utilities	150,500	113,703	36,797
Regional Water Authority Assessment	1,470,000	1,389,443	80,557
Repairs and Maintenance	180,500	22,949	157,551
Other	100,900	67,836	33,064
Capital Outlay	390,000	343,313	46,687
TOTAL EXPENDITURES	<u>\$ 2,314,400</u>	<u>\$ 2,000,939</u>	<u>\$ 313,461</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ -0-	\$ -0-
FUND BALANCE - APRIL 1, 2018	_____	_____	_____
FUND BALANCE - MARCH 31, 2019	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106

SUPPLEMENTATRY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MARCH 31, 2019

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2019**

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

<u> X </u>	Retail Water	_____	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater	_____	Wholesale Wastewater	_____	Irrigation
_____	Parks/Recreation	_____	Fire Protection	<u> X </u>	Security
<u> X </u>	Solid Waste/Garbage	_____	Flood Control	_____	Roads
<u> X </u>	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 3/4" METER (OR EQUIVALENT):

Based on the rate order approved July 18, 2018.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons	Usage Levels
WATER:	\$ 16.00	N/A	N	\$ 1.05 \$ 1.25 \$ 1.50	0 - 15,000 gallons 15,001 - 25,000 gallons 25,001 and over
WASTEWATER:	\$ 16.00	N/A	Y		
SURCHARGE:					
Solid Waste/ Garbage					
Commission					
Regulatory Assessments					
Regional Water Authority Fees			N	\$3.097	Each 1,000 gallons over - 0- usage
Other (Name)					

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

Total monthly charges per 10,000 gallons usage: Water: \$26.50 Wastewater: \$16.00 Surcharge: \$30.97

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 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 or Counties 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 extra territorial jurisdiction (ETJ)?

Entirely X Partly _____ Not at all _____

ETJ's 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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2019

PROFESSIONAL FEES:	
Auditing	\$ 15,750
Engineering	46,171
Legal	<u>112,809</u>
TOTAL PROFESSIONAL FEES	<u>\$ 174,730</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 323,634
Purchased Wastewater Service	<u>130,876</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 454,510</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 16,969
Operations and Billing	<u>56,800</u>
TOTAL CONTRACTED SERVICES	<u>\$ 73,769</u>
UTILITIES	<u>\$ 109,736</u>
REPAIRS AND MAINTENANCE	<u>\$ 481,003</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 23,550
Dues	650
Insurance	6,526
Legal Notices	211
Office Supplies and Postage	21,432
Payroll Taxes	1,802
Travel and Meetings	13,083
Regulatory Assessment	3,369
Other	<u>3,078</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 73,701</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2019

CAPITAL OUTLAY	\$ <u>10,126</u>
TAP CONNECTIONS	\$ <u>119,728</u>
SOLID WASTE DISPOSAL	\$ <u>236,157</u>
SECURITY	\$ <u>211,981</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 10,827
Permit Fees	3,114
Inspection Fees	<u>15,141</u>
TOTAL OTHER EXPENDITURES	\$ <u>29,082</u>
TOTAL EXPENDITURES	\$ <u>1,974,523</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
INVESTMENTS
MARCH 31, 2019

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Period	Accrued Interest Receivable at End of Period
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 2,819,177	\$
TexPool	XXXX0005	Varies	Daily	192,633	
Certificate of Deposit	XXXX2944	2.38%	07/16/19	303,855	5,111
Certificate of Deposit	XXXX1966	2.35%	09/25/19	<u>240,000</u>	<u>2,890</u>
TOTAL GENERAL FUND				<u>\$ 3,555,665</u>	<u>\$ 8,001</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 951,827	\$
Certificate of Deposit	XXXX5735	2.38%	07/16/19	<u>506,426</u>	<u>8,520</u>
TOTAL DEBT SERVICE FUND				<u>\$ 1,458,253</u>	<u>\$ 8,520</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXXXX0004	Varies	Daily	<u>\$ 1,272,094</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 6,286,012</u>	<u>\$ 16,521</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2019

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
APRIL 1, 2018	\$	16,156		\$ 38,202
Adjustments to Beginning				
Balance		<u>(1,514)</u>	\$ 14,642	<u>(4,002)</u> \$ 34,200
Original 2018 Tax Levy	\$	882,743		\$ 1,842,918
Adjustment to 2018 Tax Levy		<u>42,723</u>	<u>925,466</u>	<u>89,195</u> 1,932,113
TOTAL TO BE				
ACCOUNTED FOR			\$ 940,108	\$ 1,966,313
TAX COLLECTIONS:				
Prior Years	\$	13,240		\$ 30,433
Current Year		<u>909,338</u>	<u>922,578</u>	<u>1,898,442</u> 1,928,875
TAXES RECEIVABLE -				
MARCH 31, 2019			<u>\$ 17,530</u>	<u>\$ 37,438</u>
TAXES RECEIVABLE BY				
YEAR:				
2018			\$ 16,128	\$ 33,671
2017			665	1,534
2016			319	838
2015			351	1,120
2014			53	217
2013			<u>14</u>	<u>58</u>
TOTAL			<u>\$ 17,530</u>	<u>\$ 37,438</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2019

	2018	2017	2016	2015
PROPERTY VALUATIONS:				
Land	\$ 63,280,059	\$ 64,659,749	\$ 64,409,614	\$ 43,209,246
Improvements	284,792,104	281,617,441	267,982,594	277,490,815
Personal Property	5,412,174	5,238,134	5,918,846	4,265,148
Exemptions	(28,759,477)	(27,367,833)	(27,075,837)	(24,554,316)
TOTAL PROPERTY VALUATIONS	\$ 324,724,860	\$ 324,147,491	\$ 311,235,217	\$ 300,410,893
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.595	\$ 0.60	\$ 0.63	\$ 0.67
Maintenance	0.285	0.26	0.24	0.21
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.880	\$ 0.86	\$ 0.87	\$ 0.88
ADJUSTED TAX LEVY*	\$ 2,857,579	\$ 2,787,669	\$ 2,707,746	\$ 2,643,615
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	98.26 %	99.92 %	99.96 %	99.94 %

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on August 12, 2000.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2019

SERIES - 2011 REFUNDING

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 225,000	\$ 62,738	\$ 287,738
2021	235,000	55,544	290,544
2022	240,000	47,525	287,525
2023	255,000	38,225	293,225
2024	255,000	28,025	283,025
2025	265,000	17,625	282,625
2026	290,000	6,163	296,163
2027			
2028			
2029			
2030			
2031			
2032			
	<u>\$ 1,765,000</u>	<u>\$ 255,845</u>	<u>\$ 2,020,845</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2019

SERIES - 2012 REFUNDING

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 155,000	\$ 40,306	\$ 195,306
2021	165,000	36,022	201,022
2022	170,000	31,725	201,725
2023	175,000	26,981	201,981
2024	185,000	21,800	206,800
2025	190,000	16,175	206,175
2026	195,000	10,156	205,156
2027	215,000	3,494	218,494
2028			
2029			
2030			
2031			
2032			
	<u>\$ 1,450,000</u>	<u>\$ 186,659</u>	<u>\$ 1,636,659</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2019

SERIES - 2013 REFUNDING

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 780,000	\$ 284,406	\$ 1,064,406
2021	790,000	268,706	1,058,706
2022	810,000	246,631	1,056,631
2023	830,000	217,931	1,047,931
2024	870,000	188,181	1,058,181
2025	905,000	157,119	1,062,119
2026	930,000	125,006	1,055,006
2027	1,270,000	86,506	1,356,506
2028	975,000	47,219	1,022,219
2029	965,000	15,078	980,078
2030			
2031			
2032			
	<u>\$ 9,125,000</u>	<u>\$ 1,636,783</u>	<u>\$ 10,761,783</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2019

SERIES - 2014 REFUNDING

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 150,000	\$ 25,132	\$ 175,132
2021	150,000	22,132	172,132
2022	145,000	18,819	163,819
2023	140,000	14,906	154,906
2024	140,000	10,706	150,706
2025	135,000	6,581	141,581
2026	135,000	2,278	137,278
2027			
2028			
2029			
2030			
2031			
2032			
	<u>\$ 995,000</u>	<u>\$ 100,554</u>	<u>\$ 1,095,554</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2019

SERIES - 2015 REFUNDING

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 20,000	\$ 114,162	\$ 134,162
2021	20,000	113,662	133,662
2022	20,000	113,063	133,063
2023	20,000	112,463	132,463
2024	20,000	111,863	131,863
2025	20,000	111,263	131,263
2026	20,000	110,663	130,663
2027	170,000	107,813	277,813
2028	570,000	96,712	666,712
2029	580,000	79,462	659,462
2030	755,000	58,966	813,966
2031	745,000	35,529	780,529
2032	735,000	11,944	746,944
	<u>\$ 3,695,000</u>	<u>\$ 1,177,565</u>	<u>\$ 4,872,565</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2019

S E R I E S - 2 0 1 6			
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 100,000	\$ 41,025	\$ 141,025
2021	100,000	39,025	139,025
2022	100,000	37,025	137,025
2023	100,000	35,025	135,025
2024	100,000	33,025	133,025
2025	100,000	30,962	130,962
2026	100,000	28,838	128,838
2027	60,000	27,138	87,138
2028	200,000	24,250	224,250
2029	200,000	19,500	219,500
2030	200,000	14,500	214,500
2031	200,000	9,000	209,000
2032	200,000	3,000	203,000
	\$ 1,760,000	\$ 342,313	\$ 2,102,313

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2019

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 1,430,000	\$ 567,769	\$ 1,997,769
2021	1,460,000	535,091	1,995,091
2022	1,485,000	494,788	1,979,788
2023	1,520,000	445,531	1,965,531
2024	1,570,000	393,600	1,963,600
2025	1,615,000	339,725	1,954,725
2026	1,670,000	283,104	1,953,104
2027	1,715,000	224,951	1,939,951
2028	1,745,000	168,181	1,913,181
2029	1,745,000	114,040	1,859,040
2030	955,000	73,466	1,028,466
2031	945,000	44,529	989,529
2032	935,000	14,944	949,944
	<u>\$ 18,790,000</u>	<u>\$ 3,699,719</u>	<u>\$ 22,489,719</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2019

Description	Original Bonds Issued	Bonds Outstanding April 1, 2018
Harris County Municipal Utility District No. 106 Unlimited Tax Refunding Bonds - Series 2011	\$ 3,195,000	\$ 1,970,000
Harris County Municipal Utility District No. 106 Unlimited Tax Refunding Bonds - Series 2012	2,280,000	1,600,000
Harris County Municipal Utility District No. 106 Unlimited Tax Refunding Bonds - Series 2013	9,625,000	9,195,000
Harris County Municipal Utility District No. 106 Unlimited Tax Refunding Bonds - Series 2014	4,225,000	1,855,000
Harris County Municipal Utility District No. 106 Unlimited Tax Refunding Bonds - Series 2015	3,755,000	3,715,000
Harris County Municipal Utility District No. 106 Unlimited Tax Bonds - Series 2016	<u>1,960,000</u>	<u>1,860,000</u>
TOTAL	<u>\$ 25,040,000</u>	<u>\$ 20,195,000</u>
Bond Authority:	<u>Tax Bonds *</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 54,570,000	\$ 30,000,000
Amount Issued	<u>30,770,000</u>	<u>1,554,985</u>
Remaining to be Issued	<u>\$ 23,800,000</u>	<u>\$ 28,445,015</u>

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

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>					
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding March 31, 2019</u>		<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>			
\$	\$ 205,000	\$ 68,931	\$ 1,765,000		Wells Fargo Bank N.A. Houston, TX
	150,000	44,881	1,450,000		Wells Fargo Bank N.A. Houston, TX
	70,000	292,906	9,125,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	860,000	35,231	995,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	20,000	114,563	3,695,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	<u>100,000</u>	<u>43,026</u>	<u>1,760,000</u>		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 1,405,000</u>	<u>\$ 599,538</u>	<u>\$ 18,790,000</u>		

Debt Service Fund cash and investments balances as of March 31, 2019: \$ 3,439,543

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,729,978

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 922,578	\$ 854,890	\$ 743,894
Water Service	440,877	451,444	450,546
Wastewater Service	257,024	254,023	245,158
Regional Water Authority Fee	452,954	420,474	393,937
Penalty and Interest	37,525	23,670	27,358
Sales Tax	7,969	8,614	8,203
Tap Connection and Inspection Fees	264,044	172,070	167,472
Investment Revenues	60,101	22,695	9,023
Miscellaneous Revenues	15,908	56,171	14,866
TOTAL REVENUES	\$ 2,458,980	\$ 2,264,051	\$ 2,060,457
EXPENDITURES			
Professional Fees	\$ 174,730	\$ 141,935	\$ 120,701
Contracted Services	521,907	436,050	393,824
Purchased Water Service	323,634	573,632	543,911
Purchased Wastewater Service	130,876	148,815	124,703
Utilities	109,736	103,313	95,107
Repairs and Maintenance	481,003	143,437	140,632
Other	222,511	156,028	120,715
Capital Outlay	10,126		38,014
TOTAL EXPENDITURES	\$ 1,974,523	\$ 1,703,210	\$ 1,577,607
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 484,457	\$ 560,841	\$ 482,850
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$	\$ 10,397	\$ 144,488
Contributed by Other Governmental Unit			
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ 10,397	\$ 144,488
NET CHANGE IN FUND BALANCE	\$ 484,457	\$ 571,238	\$ 627,338
BEGINNING FUND BALANCE	4,075,948	3,504,710	2,877,372
ENDING FUND BALANCE	\$ 4,560,405	\$ 4,075,948	\$ 3,504,710

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2016	2015	2019	2018	2017	2016	2015
\$ 628,594	\$ 489,359	37.7 %	37.8 %	36.2 %	37.5 %	31.8 %
424,755	435,502	17.9	19.9	21.9	25.5	28.3
241,317	255,782	10.5	11.2	11.9	14.5	16.6
327,072	307,764	18.4	18.6	19.1	19.6	20.0
24,909	18,528	1.5	1.0	1.3	1.5	1.2
9,180	11,604	0.3	0.4	0.4	0.6	0.8
		10.7	7.6	8.1		
6,485	5,297	2.4	1.0	0.4	0.4	0.3
5,967	15,208	0.6	2.5	0.7	0.4	1.0
<u>\$ 1,668,279</u>	<u>\$ 1,539,044</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 163,332	\$ 139,264	7.1 %	6.3 %	5.9 %	9.8 %	9.0 %
383,978	375,267	21.2	19.3	19.1	23.0	24.4
476,860	460,669	13.2	25.3	26.4	28.6	29.9
122,635	130,459	5.3	6.6	6.1	7.4	8.5
96,101	88,437	4.5	4.6	4.6	5.8	5.7
145,825	104,758	19.6	6.3	6.8	8.7	6.8
76,583	84,116	9.0	6.9	5.9	4.6	5.5
54,484	1,336,476	0.4		1.8	3.3	86.8
<u>\$ 1,519,798</u>	<u>\$ 2,719,446</u>	<u>80.3 %</u>	<u>75.3 %</u>	<u>76.6 %</u>	<u>91.2 %</u>	<u>176.6 %</u>
\$ 148,481	\$ (1,180,402)	19.7 %	24.7 %	23.4 %	8.8 %	(76.6) %
\$ 798,788	\$ 393					
<u>798,788</u>	<u>757,676</u>					
\$ 798,788	\$ 758,069					
\$ 947,269	\$ (422,333)					
<u>1,930,103</u>	<u>2,352,436</u>					
<u>\$ 2,877,372</u>	<u>\$ 1,930,103</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 1,929,640	\$ 1,982,134	\$ 1,964,604
Penalty and Interest	16,385	34,423	17,416
Interest on Investments	34,301	18,899	10,448
Miscellaneous Revenues			
TOTAL REVENUES	\$ 1,980,326	\$ 2,035,456	\$ 1,992,468
EXPENDITURES			
Tax Collection Expenditures	\$ 54,270	\$ 64,713	\$ 55,453
Debt Service Principal	1,405,000	1,375,000	1,255,000
Debt Service Interest and Fees	603,138	634,444	624,918
Bond Issuance Costs			
TOTAL EXPENDITURES	\$ 2,062,408	\$ 2,074,157	\$ 1,935,371
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (82,082)	\$ (38,701)	\$ 57,097
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$	\$	\$
Transfer to Refunding Escrow Agent			
Bond Discount			
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ (82,082)	\$ (38,701)	\$ 57,097
BEGINNING FUND BALANCE	3,541,458	3,580,159	3,523,062
ENDING FUND BALANCE	\$ 3,459,376	\$ 3,541,458	\$ 3,580,159
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,354	1,329	1,307
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,302	1,279	1,258

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2016	2015	2019	2018	2017	2016	2015
\$ 2,023,598	\$ 1,995,107	97.5 %	97.4 %	98.6 %	98.7 %	99.0 %
18,608	12,913	0.8	1.7	0.9	0.9	0.6
7,800	7,544	1.7	0.9	0.5	0.4	0.4
	25					
<u>\$ 2,050,006</u>	<u>\$ 2,015,589</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 51,022	\$ 51,220	2.7 %	3.2 %	2.8 %	2.5 %	2.5 %
1,210,000	1,135,000	70.9	67.6	63.0	59.0	56.3
633,269	716,449	30.5	31.2	31.4	30.9	35.5
	145,636					7.2
<u>\$ 1,894,291</u>	<u>\$ 2,048,305</u>	<u>104.1 %</u>	<u>102.0 %</u>	<u>97.2 %</u>	<u>92.4 %</u>	<u>101.5 %</u>
<u>\$ 155,715</u>	<u>\$ (32,716)</u>	<u>(4.1) %</u>	<u>(2.0) %</u>	<u>2.8 %</u>	<u>7.6 %</u>	<u>(1.5) %</u>
\$	\$ 3,755,000					
	(3,528,133)					
	(75,125)					
<u>\$ - 0 -</u>	<u>\$ 151,742</u>					
\$ 155,715	\$ 119,026					
<u>3,367,347</u>	<u>3,248,321</u>					
<u>\$ 3,523,062</u>	<u>\$ 3,367,347</u>					
<u>1,270</u>	<u>1,268</u>					
<u>1,224</u>	<u>1,223</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2019

District Mailing Address - Harris County Municipal Utility District No. 106
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members:	Term of Office (Elected or <u>Appointed</u>)	Fees of Office for the year ended <u>March 31, 2019</u>	Expense Reimbursements for the year ended <u>March 31, 2019</u>	<u>Title</u>
Neil McLeroy	05/2018 05/2022 (Elected)	\$ 4,350	\$ 1,220	President
Tim Beard	05/2016 05/2020 (Elected)	\$ 2,550	\$ 1,990	Vice President
Pete Galvan, Jr.	05/2016 05/2020 (Elected)	\$ 6,000	\$ 2,105	Assistant Vice President
Lonnie Kimball	05/2018 05/2022 (Elected)	\$ 4,050	\$ 2,920	Secretary
Ralph B. Edgar, Jr.	05/2016 05/2020 (Elected)	\$ 6,600	\$ 4,896	Assistant Secretary

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

Submission date of most recent District Registration Form: June 4, 2018

The limit on Fees of Office that a Director may receive during a fiscal year is authorized to the maximum extent allowed by law as set by Board Resolution on June 18, 2001. Fees of Office are the amounts actually paid to a Director during the District's current period.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2019

Consultants:	<u>Date Hired</u>	<u>District Fees for the year ended March 31, 2019</u>	<u>Water Plant Fees for the year ended March 31, 2019</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	07/26/2003	\$ 116,577	\$ 8,546	General Counsel
McCall Gibson Swedlund Barfoot PLLC	08/22/2001	\$ 15,750	\$ 3,500	Auditor
Myrtle Cruz, Inc.	04/30/2008	\$ 18,653	\$ 6,682	Bookkeeper
AECOM Technical Services, Inc.	06/21/2000	\$ 19,983	\$ 27,853	Prior Engineer
BGE, Inc.	07/18/2018	\$ 33,186	\$ -0-	Engineer
Masterson Advisors LLC	04/27/2018	\$ -0-	\$ -0-	Financial Advisor
Mary Jarmon	11/22/2013	\$ -0-	\$ -0-	Investment Officer
INFRAMARK, LLC	09/27/2000	\$ 77,022	\$ 329,351	Operator
Tax Tech, Incorporated	07/01/2015	\$ 21,163	\$ -0-	Tax Assessor/ Collector
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/27/2002	\$ 3,316	\$ -0-	Delinquent Tax Attorney

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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