PRELIMINARY OFFICIAL STATEMENT DATED MAY 12, 2020

This Preliminary Official Statement is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds. Upon sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser.

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF ADDICKS UTILITY DISTRICT, OF HARRIS COUNTY, TEXAS, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS WILL BE DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "LEGAL MATTERS—Qualified Tax-Exempt Obligations."

BOOK-ENTRY-ONLY

Rating: Moody's "A2"
See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE" herein.

$2,650,000
ADDICKS UTILITY DISTRICT, OF HARRIS COUNTY, TEXAS
(A political subdivision of the State of Texas located within Harris County)
WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS, SERIES 2020

Dated: July 1, 2020 **Due: September 1, as shown below**

Principal of the bonds described above (the "Bonds") will be payable at maturity or earlier redemption at the principal payment office of the Paying Agent/Registrar, initially The Bank of New York Mellon Trust Co., N.A., Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from July 1, 2020 and will be payable on March 1 and September 1 of each year commencing March 1, 2021 (eight months interest) until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of $5,000 each or integral multiples thereof. The Bonds will be subject to redemption prior to their maturity, as shown below.

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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (Sept. 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (d)	Due (Sept. 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (d)
2021	$ 60,000				2029	$ 130,000 (c)			
2022	70,000				2030	130,000 (c)			
2023	80,000				2031	200,000 (c)			
2024	90,000				2032	200,000 (c)			
2025	100,000				2033	200,000 (c)			
2026	110,000 (c)				2034	525,000 (c)			
2027	110,000 (c)				2035	525,000 (c)			
2028	120,000 (c)								

(a) The Initial Purchaser (as herein defined) may designate one or more maturities as term bonds. See accompanying "OFFICIAL NOTICE OF SALE" and "OFFICIAL BID FORM."
(b) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from July 1, 2020 is to be added to the price.
(c) The Bonds maturing on or after September 1, 2026 are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on September 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
(d) CUSIP Numbers have been assigned to the Bonds by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

The Bonds, when issued, will constitute valid and legally binding obligations of Addicks Utility District, of Harris County, Texas (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, and further from a pledge of and lien on the net revenues, if any, of the District's waterworks and sewer system, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about July 16, 2020.

BIDS DUE: TUESDAY, JUNE 9, 2020 AT 1:15 P.M., HOUSTON TIME, HOUSTON, TEXAS
BID AWARD: TUESDAY, JUNE 9, 2020 AT 6:30 P.M., HOUSTON TIME, HOUSTON, TEXAS

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an Official Statement with respect to the Bonds that has been “deemed final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

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

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

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 relevant information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Initial Purchaser, and thereafter only as specified in “UPDATING OF OFFICIAL STATEMENT.”

OFFICIAL STATEMENT SUMMARY

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

THE FINANCING

The Issue .... $2,650,000 Addicks Utility District, of Harris County, Texas, Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2020, dated July 1, 2020. The Bonds mature serially on September 1 in each year from 2021 through 2035, inclusive, in the respective amounts and bearing interest at the rates for each maturity shown on the cover page hereof. Interest on the Bonds will accrue from July 1, 2020 and will be payable March 1 and September 1 of each year commencing March 1, 2021 (eight months interest) until maturity or prior redemption and will be calculated on the basis of 360-day year consisting of twelve 30-day months. The Bonds maturing on or after September 1, 2026 are subject to optional redemption, in whole or, from time to time, in part, on September 1, 2025, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. If less than all the Bonds are redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be selected by the District in integral multiples of $5,000 in any one maturity. If less than all the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple thereof. See "THE BONDS."

Book-Entry-Only .... The Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC, which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "BOOK-ENTRY- ONLY SYSTEM."

Authority for Issuance ...... The Bonds are issued pursuant to the Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), an order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission") and elections held within the District. See "THE BONDS—Authority for Issuance."

Source of Payment .... The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District and further from a pledge of and lien on the net revenues, if any, of the District's water and wastewater system, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. See "THE BONDS—Source and Security for Payment."

Use of Proceeds .... Proceeds from the Bonds will be used to fund construction and engineering expenses for: (1) repairs and improvements to the water well at Water Plant No.1 and (2) drilling of a new water well at Water Plant No. 2. Bond proceeds will also be used to pay certain costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Payment Record .... The District has previously issued eight series of waterworks and sewer system combination unlimited tax and revenue bonds and two series of waterworks and sewer system combination unlimited tax and revenue refunding bonds (collectively, the "Previously Issued Bonds"), of which $14,065,000 principal amount of such Previously Issued Bonds is currently outstanding (the "Outstanding Bonds"). See "INVESTMENT CONSIDERATIONS—Future Debt." The District has timely paid its debt service on the Previously Issued Bonds.

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

Bond Counsel .... Schwartz, Page & Harding, L.L.P., Houston, Texas.

Engineer .... Atkinson Engineers, Houston, Texas.

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

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

Paying Agent/Registrar ... The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

Municipal Bond Insurance and Municipal Bond Rating... Application has been made to Moody's Investors Service ("Moody's") for an underlying rating on the Bonds, and Moody's has assigned an underlying rating of "A2" to the Bonds. Application has also been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Initial Purchaser (as defined herein) at the Initial Purchaser's expense. The rating fee of Moody's will be paid for by the District; payment of any other rating fee will be the responsibility of the Initial Purchaser. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance" and "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE."

INFECTIOUS DISEASE OUTLOOK (COVID-19)

General.............................. 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.

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)."

RECENT EXTREME 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.

Impact on the District .... The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to Inframark (the "Operator"), to the best of their knowledge at the time, there was no interruption of water and sewer service as a result of Hurricane Harvey and District's system did not sustain any material damage from Hurricane Harvey. To the best of the knowledge of the District, approximately 130 homes within the District experienced structural flooding or other damage as a result of Hurricane Harvey. A majority of affected homes were flooded by water retained within the Addicks Reservoir because the release of water by the United States Army Corp. of Engineers was not done in a timely manner to prevent the reservoir from exceeding its western boundary.

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

THE DISTRICT

Description and Location ..... Addicks Utility District, of Harris County, Texas (the "District") is a conservation and reclamation district and a political subdivision of the State of Texas located approximately 24 miles west of downtown Houston. The District is located within the Katy Independent School District and encompasses approximately 642 acres of land. Access to the District is provided from Interstate Highway 10 via Barker Cypress Road, or from Texas State Highway 6 via Clay Road. Clay Road forms the District's north boundary and Barker Cypress traverses the District north to south. See "THE DISTRICT" and "AERIAL LOCATION MAP."

Status of Development .... Development within the District began in 1977 and includes 1,620 residential lots on approximately 343 acres in the residential subdivisions of Rolling Green, Sections One and Two, Wood Fern, Estates at Cullen Park, Barkers Branch, Sections One through Four, Barkers Trail, Sections One through Four and Inter Nos, Section 1 which is being marketed as Barker's Reserve. Based upon the District's 2019 tax roll, the average value of homes in the District is $188,000. As of March 1, 2020, there were 1,617 completed homes in the District, of which 1,611 were occupied, and 3 homes were under construction.

A 312-unit apartment project, Landmark at Barker Cypress, is located on approximately 16 acres of land in the District. According to the apartment manager, approximately 93% of the units are occupied. In addition, a 364-unit apartment complex, Broadstone Barker Cypress, has been constructed on approximately 17 acres within the District. The Broadstone Barker Cypress began leasing in June 2019 and is approximately 61% occupied according to the apartment manager.

In addition to the development described above, the District contains approximately 182 acres within the District are served with utilities for commercial development, of which approximately 72 acres have taxable improvements (a landscaping nursery, a convenience store which includes a fast food restaurant, a golf driving range, multiple child care facilities, an industrial supply facility, a car repair shop, a grocery store, and multiple retail centers), approximately 26 acres upon which two churches and an elementary school are located approximately 10 developable but undeveloped acres (not yet provided with water, wastewater and storm drainage facilities necessary for the construction of taxable improvements), and approximately 74 undevelopable acres (consisting of rights-of- way, water production and wastewater treatment plant sites and a drainage ditch). See "THE DISTRICT—Land Use and 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 the entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned "INVESTMENT CONSIDERATIONS."

FINANCIAL INFORMATION (UNAUDITED)

2019 Certified Taxable Assessed Valuation	$404,559,740	(a)
2020 Preliminary Taxable Assessed Valuation	$451,842,628	(b)
Estimated Taxable Assessed Valuation as of March 1, 2020	$455,096,766	(c)
Gross Direct Debt Outstanding	$16,715,000	(d)
Estimated Overlapping Debt	19,426,689	
Total Gross Direct Debt and Estimated Overlapping Debt	$36,141,689	
Ratios of Gross Direct Debt to:		
2019 Certified Taxable Assessed Valuation	4.13%	
Estimated Taxable Assessed Valuation as of March 1, 2020	3.67%	
Ratios of Gross Direct and Estimated Overlapping Debt to:		
2019 Certified Taxable Assessed Valuation	8.93%	
Estimated Taxable Assessed Valuation as of March 1, 2020	7.94%	
Capital Projects Funds Available as of May 12, 2020	$1,218,282	
Operating Funds Available as of May 12, 2020	$3,280,124	
Debt Service Funds Available as of May 12, 2020	$2,203,328	(e)
2019 Debt Service Tax Rate	$0.38	
2019 Maintenance Tax Rate	0.25	
Total	$0.63	
Average Annual Debt Service Requirement (2020-2035)	$1,379,010	(f)
Maximum Annual Debt Service Requirement (2021)	$1,598,600	(e)
Tax Rate Required to Pay Average Annual Debt Service (2020-2035) at a 95% Collection Rate Based upon 2019 Certified Taxable Assessed Valuation	$0.36	
Tax Rate Required to Pay Maximum Annual Debt Service (2021) at a 95% Collection Rate Based upon 2019 Certified Taxable Assessed Valuation	$0.42	
Tax Rate Required to Pay Average Annual Debt Service (2020-2035) at a 95% Collection Rate Based upon Estimated Taxable Assessed Valuation as of March 1, 2020	$0.32	
Tax Rate Required to Pay Maximum Annual Debt Service (2021) at a 95% Collection Rate Based upon Estimated Taxable Assessed Valuation as of March 1, 2020	$0.37	
Status of Development as of March 1, 2020 (g):		
Completed Single Family Homes (1,611 occupied)	1,617	
Homes Under Construction or in Builder's Name	3	
Multifamily (676 units)	2	
Commercial	28	
Estimated Population	6,990	(h)

(a) As certified by the Harris County Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
(b) Provided by the Appraisal District as a preliminary indication of the 2020 taxable value (as of January 1, 2020), including personal property value from tax year 2019 in the amount of $12,874,242. Such amount is subject to protest, review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."
(c) As provided by the Appraisal District. Such amount is only an estimate of the assessed value on March 1, 2020, and may be revised upward or downward once certified by the Appraisal District. Increases in value occurring between January 1, 2019 and December 31, 2019 will be certified as of January 1, 2020, and provided for purposes of taxation in the fall of 2020. Increases in value occurring between January 1, 2020 and March 1, 2020 will be certified as of January 1, 2021 and provided for purposes of taxation in the fall of 2021. See "TAXING PROCEDURES."
(d) After giving effect to issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED—Outstanding Bonds."
(e) Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund.
(f) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
(g) See "THE DISTRICT—Land Use and Status of Development."
(h) Based upon 3.5 persons per occupied single-family residence and 2 persons per apartment unit.

PRELIMINARY OFFICIAL STATEMENT

$2,650,000
ADDICKS UTILITY DISTRICT, OF HARRIS COUNTY, TEXAS
(A political subdivision of the State of Texas located within Harris County)

WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS, SERIES 2020

This Official Statement provides certain information in connection with the issuance by Addicks Utility District, of Harris County, Texas (the "District") of its $2,650,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2020 (the "Bonds").

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

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

THE BONDS

General

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

Description

The Bonds will be dated July 1, 2020, with interest payable on March 1, 2021, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from July 1, 2020, and thereafter, from the most recent Interest Payment Date. The Bonds mature on September 1 of the years and in the amounts shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the cover page hereof. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

At elections held within the District on April 6, 1974, March 5, 1983, August 11, 1984 and November 6, 2007, voters of the District authorized a total of $26,750,000 in principal amount of bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The $13,600,000 principal amount in bonds authorized on March 5, 1983, replaced the remaining $13,600,000 principal amount in unissued bonds authorized at prior elections held on April 6, 1974, August 13, 1977 and January 21, 1978. The Bonds constitute the ninth issuance of bonds from such authorizations. After the issuance of the Bonds, a total of $0 in principal amount of waterworks and sewer system combination unlimited tax and revenue bonds for water, sanitary sewer and drainage facilities will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the Commission dated April 28, 2020.

Source and Security for Payment

The Bonds, together with the Outstanding Bonds and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "TAXING PROCEDURES." The Bonds are additionally payable from and secured by a pledge of and lien on the Net Revenues (as defined in the Bond Order), if any, derived by the District from the operation of the District's System (as defined herein) to the extent and upon the conditions described more fully in the Bond Order. It is not expected that any significant Net Revenues will be available for the payment of debt service on any of the District's bonds. Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." The Bonds are obligations solely of the District and are not obligations of the City of Houston, Harris County, the State of Texas, or any political subdivision or entity other than the District.

Funds

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

Record Date

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2026 prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on September 1, 2025, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

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

Method of Payment of Principal and Interest

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

Registration

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

Replacement of Paying Agent/Registrar

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of $26,750,000 in principal amount of waterworks and sewer system combination unlimited tax and revenue bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. Following the issuance of the Bonds, the District will have $0 in principal amount of waterworks and sewer system combination unlimited tax and revenue bonds will remain authorized but unissued for said facilities.

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

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

Financing Road Facilities

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

Financing Recreational Facilities

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

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or an amount greater than the estimated cost of the plan, whichever amount is smaller; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the Commission in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per $100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

The District has not considered calling an election for such purposes but could consider doing so in the future. Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

Annexation

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

Consolidation

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

Remedies in Event of Default

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds 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. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, 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 of redemption proceeds, distributions, and dividend payments 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 Purchasers take any responsibility for the accuracy thereof.

USE AND DISTRIBUTION OF BOND PROCEEDS

Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor.

Proceeds from the Bonds will be used to fund construction and engineering expenses for: (1) repairs and improvements to the water well at Water Plant No. 1 and (2) drilling of a water well at Water Plant No. 2. Bond proceeds will also be used to pay certain costs associated with the issuance of the Bonds.

CONSTRUCTION RELATED COSTS		
Construction Costs Approved by the TCEQ	$	2,339,520
Total Construction Related Costs	**$**	**2,339,520**
NON-CONSTRUCTION COSTS		
Underwriter's Discount (estimated at 3%)	$	79,500
Total Non-Construction Related Costs	**$**	**79,500**
ISSUANCE COSTS AND FEES		
Issuance Costs and Professional Fees	$	181,705
Bond Application Report Costs		40,000
State Regulatory Fees		9,275
Total Issuance Costs and Fees	**$**	**230,980**
TOTAL BOND ISSUE	**$**	**2,650,000**

In the instance that Commission-approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved under the rules of the Commission. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional Commission approval and the issuance of additional bonds may be required.

THE DISTRICT

General

The District is a municipal utility district created by an act of the 62nd Legislature of the State of Texas, regular session, effective June 4, 1971, (now Chapter 8102, V.T.C.A. Special District Local Laws Code) pursuant to provisions of Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston (except as described below under "Strategic Partnership Agreement"), is subject to the continuing supervisory jurisdiction of the TCEQ.

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

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

Description and Location

The District is located approximately 24 miles west of downtown Houston. Access to the District is provided from Interstate Highway 10 via Barker Cypress Road, or from Texas State Highway 6 via Clay Road. Clay Road forms the District's north boundary and Barker Cypress traverses the District north to south. The District is located within the Katy Independent School District and encompasses approximately 642 acres of land.

Land Use and Status of Development

Development within the District began in 1977 and includes 1,620 residential lots on approximately 343 acres in the residential subdivisions of Rolling Green, Sections One and Two, Wood Fern, Estates at Cullen Park, Barkers Branch, Sections One through Four, Barkers Trail, Sections One through Four and Inter Nos, Section 1 which is being marketed as Barker's Reserve. Based upon the District's 2019 tax roll, the average value of homes in the District is $188,000. As of March 1, 2020, there were 1,617 completed homes in the District, of which 1,611 were occupied, and 3 homes were under construction.

A 312-unit apartment project, Landmark at Barker Cypress, is located on approximately 16 acres of land in the District. According to the apartment manager, approximately 93% of the units are occupied. In addition, a 364-unit apartment complex, Broadstone Barker Cypress, has been constructed on approximately 17 acres within the District. The Broadstone Barker Cypress began leasing in June 2019 and is approximately 61% occupied according to the apartment manager.

In addition to the development described above, the District contains approximately 182 acres within the District are served with utilities for commercial development, of which approximately 72 acres have taxable improvements (a landscaping nursery, a convenience store which includes a fast food restaurant, a golf driving range, multiple child care facilities, an industrial supply facility, a car repair shop, a grocery store, and multiple retail centers), approximately 26 acres upon which two churches and an elementary school are located approximately 10 developable but undeveloped acres (not yet provided with water, wastewater and storm drainage facilities necessary for the construction of taxable improvements), and approximately 74 undevelopable acres (consisting of rights-of- way, water production and wastewater treatment plant sites and a drainage ditch).

Strategic Partnership Agreement

The District and the City of Houston (the "City") have entered into a Strategic Partnership Agreement dated effective December 12, 2008 (the "SPA") pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" for that portion of the District which is developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" for at least thirty (30) years from the effective date of the SPA. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater and drainage facilities must be assumed by the City to the maximum extent permitted by Commission rules. The procedures for full purpose annexation under the SPA may differ from those otherwise applicable under Chapter 43, Texas Local Government Code, including any requirements for an election. See "THE BONDS—Annexation."

As of the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion includes primarily the 86 acres of retail and commercial development within the District. The City pays to the District an amount equal to one half (1/2) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the "Sales Tax Revenue"). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds or the Outstanding Bonds.

MANAGEMENT OF THE DISTRICT

Board of Directors

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

Name	Title	Term Expires
Michael Ligon	President	May 2022
Pam Beaver	Vice President	May 2022
Rick Krustchinsky	Secretary	May 2022
Phil Wales	Asst. Secretary	May 2024
Lois Pierce	Asst. Secretary	May 2024

The District has no full-time employees but instead contracts with the entities described below for professional services:

Tax Assessor/Collector

Land and improvements in the District are being appraised for taxation by the Harris County Appraisal District. The District contracts with Assessments of the Southwest, Inc. to act as Tax Assessor/Collector for the District.

System Operator

The District contracts with Inframark, LLC for maintenance and operation of the District's system.

Bookkeeper

The District contracts with Myrtle Cruz, Inc. (the "Bookkeeper") for bookkeeping services for the District.

Engineer

The District's consulting engineer is Atkinson Engineers (the "Engineer").

Auditor

The financial statements of the District as of and for the fiscal year ended February 28, 2019, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot, PLLC, Certified Public Accountants, as stated in their report appearing herein. See "APPENDIX A." McCall Gibson Swedlund Barfoot, PLLC has been engaged by the District to audit the District's financial statements for the fiscal year ended February 29, 2020.

Bond Counsel and General Counsel

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

Disclosure Counsel

The District has engaged McCall, Parkhurst & Horton, L.L.P. as disclosure counsel ("Disclosure Counsel"). The fees paid to Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor

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

THE SYSTEM

Regulation

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

Water Supply

Water supply for the District is provided by the District's Water Plant No. 1 and Water Plant No. 2. Water Plant No. 1 receives surface water from the West Harris County Regional Water Authority ("the Authority") and consists of a 551 gallon per minute ("gpm") water well, 40,000 gallons of pressure tank capacity, ground storage tank capacity of 420,000 gallons, and 1,860 gpm of booster pump capacity. Water Plant No. 2 receives surface water from the Authority and includes 30,000 gallons of pressure tank capacity, ground storage tank capacity of 318,000 gallons, and 2,000 gpm of booster pump capacity. The Authority has committed up to 900,000 gallons per day ("gpd") to the District. The District's combined water supply facilities are adequate to serve approximately 2,381 equivalent single-family connections. A portion of Bond proceeds will be used to finance construction and drilling of an additional water well at Water Plant No. 2 with targeted capacity of 1,000 gpm. As of March 1, 2020, the District was serving 1,674 active connections (including 1,611 occupied residences, 6 unoccupied residences, 3 builder connections, 28 commercial connections, and 2 apartment connections).

The District has an emergency water supply agreement with Harris County Municipal Utility District No. 238.

Subsidence District Requirements

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. In 2001, the Texas legislature created the Authority to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County and a small portion of Fort Bend County. The District is located within the boundaries of the Authority. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District's groundwater well(s) are included within the Authority's GRP.

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

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty of $9.24 per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total annual water demand in the Authority's GRP.

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

Wastewater Treatment Facilities

Wastewater treatment for the District is currently provided by the District's 800,000 gpd wastewater treatment plant, which will adequately serve 3,200 equivalent single-family connections. As of March 1, 2020, the District was serving 1,674 active connections (including 1,611 occupied residences, 6 unoccupied residences, 3 builder connections, 28 commercial connections, and 2 apartment connections).

Stormwater Drainage Facilities

The stormwater drainage within the District is collected through curb and gutter streets to an underground storm sewer system that outfall into a Harris County Flood Control District ("HCFCD") ditch. 95% percent of the District's storm drainage flows into a HCFCD ditch which conveys it into South Mayde Creek, then to Buffalo Bayou and eventually to Galveston Bay. The detention required by HCFCD is contained in the ditch adjacent to Barkers Branch subdivision. The remaining 5% drains to Bear Creek which conveys it to Buffalo Bayou and eventually Galveston Bay.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, approximately 29 acres within the District are located within the 100-year flood plain. See "INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey."

Waterworks and Sewer System Operating Statement

General: The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District and additionally from the Net Revenues (as defined in the Bond Order), if any, from operations of the District's water and wastewater system. Net revenues, if any, derived from the District's operations are not pledged to the payment of the Bonds, but are available for any lawful purpose including payment of debt service on the Bonds, at the discretion and upon action of the Board. It is not anticipated that any revenues will be available for the payment of debt service on the Bonds.

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ended February 28, 2016 through 2019 and an unaudited summary for the period ended February 29, 2020, prepared by the Bookkeeper. Reference is made to "APPENDIX A" for further and more complete information.

	Fiscal Year Ended February 28				
	2020 (a)	2019	2018	2017	2016
Revenues					
Property Taxes	$ 925,107	$ 814,210	$ 661,657	$ 567,266	$ 540,111
Water Service	445,321	319,465	304,867	292,440	303,785
Wastewater Service	296,911	276,170	263,005	247,148	239,411
Regional Water Authority Fee	582,184	495,100	456,336	402,335	367,008
Penalty and Interest	22,537	20,816	16,875	21,042	24,283
Tap Connection and Inspection Fees	17,132	262,187	165,988	75,100	73,290
Sales Tax Revenue	77,261	82,347	79,141	56,687	61,459
Investment Revenues	58,605	42,649	18,524	4,998	1,638
Other Revenues	20,862	48,971	40,508	43,318	46,300
Total Revenues	$ 2,445,920	$ 2,361,915	$ 2,006,901	$ 1,710,334	$ 1,657,285
Expenditures					
Professional Fees	$ 137,502	$ 98,180	$ 114,191	$ 109,982	$ 98,437
Contracted Services	153,729	177,787	158,257	151,507	151,820
Purchased Water Services	590,927	489,502	463,679	423,983	437,949
Utilities	106,569	82,457	90,692	89,476	100,062
Regional Water Authority Assessments	11,387	22,994	2,464	-	-
Repairs and Maintenance	549,354	710,527	461,247	427,653	288,966
Other	244,501	374,486	318,191	279,775	232,834
Capital Outlay	121,322	-	42,467	-	405,314
Total Expenditures	$ 1,915,292	$ 1,955,933	$ 1,651,188	$ 1,482,376	$ 1,715,382
Revenues Over (Under) Expenditures	$ 530,628	$ 405,982	$ 355,713	$ 227,958	$ (58,097)
Other Sources/(Uses)	$ 13,575	$ (23,500)	$ -	$ 440,815	$ -
Fund Balance (Beginning of Year)	$ 2,662,623	$ 2,280,141	$ 1,924,428	$ 1,255,655	$ 1,313,752
Fund Balance (End of Year)	$ 3,206,826	$ 2,662,623	$ 2,280,141	$ 1,924,428	$ 1,255,655

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

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2019 Certified Taxable Assessed Valuation	$404,559,740	(a)
2020 Preliminary Taxable Assessed Valuation	$451,842,628	(b)
Estimated Taxable Assessed Valuation as of March 1, 2020	$455,096,766	(c)
Gross Direct Debt Outstanding (the Bonds and the Outstanding Bonds)	$ 16,715,000	
Estimated Overlapping Debt	19,426,689	(d)
Total Gross Direct Debt and Estimated Overlapping Debt	$ 36,141,689	

Ratios of Gross Direct Debt to:	
2019 Certified Taxable Assessed Valuation	4.13%
Estimated Taxable Assessed Valuation as of March 1, 2020	3.67%
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:	
2019 Certified Taxable Assessed Valuation	8.93%
Estimated Taxable Assessed Valuation as of March 1, 2020	7.94%

Funds Available for Debt Service as of May 12, 2020	$2,203,328
Funds Available for Operations as of May 12, 2020	$3,280,124
Funds Available for Capital Projects as of May 12, 2020	$1,218,282

(a) As certified by the Harris County Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
(b) Provided by the Appraisal District as a preliminary indication of the 2020 taxable value (as of January 1, 2020), including personal property value from tax year 2019 in the amount of $12,874,242. Such amount is subject to protest, review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."
(c) As provided by the Appraisal District. Such amount is only an estimate of the assessed value on March 1, 2020, and may be revised upward or downward once certified by the Appraisal District. Increases in value occurring between January 1, 2019 and December 31, 2019 will be certified as of January 1, 2020, and provided for purposes of taxation in the fall of 2020. Increases in value occurring between January 1, 2020 and March 1, 2020 will be certified as of January 1, 20221 and provided for purposes of taxation in the fall of 2021. See "TAXING PROCEDURES."
(d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)-Estimated Overlapping Debt."

Outstanding Bonds

The District has previously issued eight series of waterworks and sewer system combination unlimited tax and revenue bonds and two series of waterworks and sewer system combination unlimited tax and revenue refunding bonds. The following table lists the original principal amounts of the Outstanding Bonds and the principal amount of the Outstanding Bonds as of May 1, 2020.

Series	Original Principal Amount	Outstanding Bonds (as of 5/1/20)
2005	$ 1,530,000	$ 225,000
2008	7,940,000	-
2010	1,520,000	105,000
2016	3,555,000	3,255,000
2017 (a)	8,190,000	7,980,000
2018	2,700,000	2,500,000
Total		$ 14,065,000

(a) Refunding Bonds.

District Investment Policy

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate owning, long term securities or derivative products in the District's investment portfolio.

Debt Service Requirements

The following sets forth the debt service requirements for the Outstanding Bonds plus the estimated debt service requirements for the Bonds at an assumed interest rate of 3.75%.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds Principal	Interest	Total	Total Debt Service Requirements
2020	$ 1,420,094				$ 1,420,094
2021	1,422,663	$ 60,000	$ 115,938	$ 175,938	1,598,600
2022	1,404,469	70,000	97,125	167,125	1,571,594
2023	1,390,913	80,000	94,500	174,500	1,565,413
2024	1,368,100	90,000	91,500	181,500	1,549,600
2025	1,344,450	100,000	88,125	188,125	1,532,575
2026	1,325,400	110,000	84,375	194,375	1,519,775
2027	1,324,875	110,000	80,250	190,250	1,515,125
2028	1,317,325	120,000	76,125	196,125	1,513,450
2029	1,308,575	130,000	71,625	201,625	1,510,200
2030	1,288,125	130,000	66,750	196,750	1,484,875
2031	1,185,250	200,000	61,875	261,875	1,447,125
2032	1,179,025	200,000	54,375	254,375	1,433,400
2033	1,046,400	200,000	46,875	246,875	1,293,275
2034	-	525,000	39,375	564,375	564,375
2035	-	525,000	19,688	544,688	544,688
Total	$ 18,325,663	$ 2,650,000	$ 1,088,500	$ 3,738,500	$ 22,064,163

Maximum Annual Debt Service Requirement (2021) $1,598,600
Average Annual Debt Service Requirements (2020-2035) $1,379,010

Estimated Overlapping Debt

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Harris County……………………………………….	$ 1,885,182,125	3/31/2020	0.08%	$ 1,508,146
Harris County Flood Control District…………….	83,075,000	3/31/2020	0.08%	66,460
Harris County Hospital District…………………..	55,005,000	3/31/2020	0.08%	44,004
Harris County Department of Education………..	6,320,000	3/31/2020	0.08%	5,056
Port of Houston Authority………………………..	572,569,397	3/31/2020	0.08%	458,056
Katy Independent School District……………….	1,752,016,959	3/31/2020	0.99%	17,344,968
Total Estimated Overlapping Debt……………….				$ 19,426,689
The District………………………………………..	16,715,000 (a)	Current	100.00%	16,715,000
Total Direct and Estimated Overlapping Debt…..				$ 36,141,689

Ratio of Estimated Direct and Overlapping Debt to 2019 Certified Taxable Assessed Valuation…………………. 8.93%
Ratio of Estimated Direct and Overlapping Debt to March 1, 2020 Estimated Assessed Valuation……………… 7.94%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes for 2019

	2019 Tax Rate per $100 of Taxable Assessed Valuation
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority…………………………	$ 0.616700
Katy Independent School District………………………………………………	1.443100
Harris County ESD No. 47………………………………………………………	0.085000
Total Overlapping Tax Rate……………………………………………………	$ 2.144800
The District …………………………………………………………………………	0.630000
Total Tax Rate………………………………………………………………………	$ 2.774800

TAX DATA

Debt Service Tax

The Board will covenant in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of outstanding debt obligations, is 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 $0.38 per $100 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 a vote of the District's electors. On August 13, 1977, voters in the District authorized the Board to levy such a maintenance tax in an amount not to exceed $0.25 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 Outstanding Bonds, the Bonds and any additional waterworks and sewer system combination unlimited tax and revenue bonds which may be issued in the future. The District levied a maintenance tax for 2019 in the amount of $0.25 per $100 assessed valuation.

Tax Exemptions

For the 2020 tax year, the District granted an exemption of $25,000 for persons 65 years of age or older or disabled. See “TAXING PROCEDURES.”

Tax Rate Distribution

	2019	2018	2017	2016	2015
Debt Service	$ 0.380	$ 0.400	$ 0.430	$ 0.430	$ 0.450
Maintenance and Operations	0.250	0.230	0.215	0.225	0.205
Total	$ 0.630	$ 0.630	$ 0.645	$ 0.655	$ 0.655

Tax Collections

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

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of April 30, 2020	
				Amount	Percent
2015	$ 242,357,331	$ 0.655	$ 1,587,441	$ 1,583,712	99.77%
2016	278,415,261	0.655	1,823,620	1,819,039	99.75%
2017	313,174,799	0.645	2,019,977	2,011,338	99.57%
2018	346,808,830	0.630	2,184,896	2,172,207	99.42%
2019	404,559,740	0.630	2,548,726	2,449,365	96.10%

Taxes are due upon receipt of bill therefor and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. No split payments are allowed and no discounts are allowed.

Principal Taxpayers

The following table represents the principal taxpayers, the type of property, the certified taxable assessed value of such property and such property's certified assessed value as a percentage of the 2019 Certified Taxable Assessed Valuation of $404,559,740, which represents ownership as of January 1, 2019. Principal taxpayers lists related to the 2020 Preliminary Taxable Assessed Valuation of $451,842,628 and the Estimated Assessed Valuation as of March 1, 2020, of $455,096,766 are not available.

Taxpayer	Type of Property	2019 Certified Taxable Assessed Valuation	% of 2019 Certified Taxable Assessed Valuation
Landmark BC Apartments LLC	Multi-Family	$ 36,136,382	8.93%
CRP/AR Barker Cypress Owner LP	Multi-Family	11,219,040	2.77%
New Century Capital LLC	Land	6,629,890	1.64%
AO Building LLC	Office Building/Warehouse	6,084,000	1.50%
Strathmore Building Co.	Land	5,387,130	1.33%
Accumluators Inc.	Commercial	5,235,028	1.29%
Roade Properties Ltd.	Gas/Conveinance Store	2,789,567	0.69%
BC Morton Partners LLC	Gas/Conveinance Store	2,776,169	0.69%
ACDG Properties Inc.	Shopping Center/Gas Station	2,377,589	0.59%
Silversand Investments LLC	Office Building/Warehouse	2,439,090	0.60%
Total		$ 81,073,885	20.04%

Summary of Assessed Valuation

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of certified property comprising the 2017 through 2019 Certified Taxable Assessed Valuations. Breakdowns of the 2020 Preliminary Taxable Assessed Valuation and the Estimated Assessed Valuation as of March 1, 2020 are not available.

	2019 Assessed Valuation	2018 Assessed Valuation	2017 Assessed Valuation
Land	$ 98,266,314	$ 88,637,226	$ 80,187,076
Improvements	323,128,241	273,369,446	252,963,994
Personal Property	12,874,242	11,498,572	11,309,118
Exemptions	(29,709,057)	(26,696,414)	(31,285,389)
Certified Total	$ 404,559,740	$ 346,808,830	$ 313,174,799

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 assessed valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2019 Certified Taxable Assessed Valuation of $404,559,740 and the Estimated Assessed Valuation as of March 1, 2020, of $455,096,766. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "INVESTMENT CONSIDERATIONS—Factors Affecting Taxable Values and Tax Payments."

Average Annual Debt Service Requirement (2020-2035)	$1,379,010
$0.36 Tax Rate on 2019 Certified Taxable Assessed Valuation at 95% collections	$1,383,594
$0.32 Tax Rate on Estimated Taxable Assessed Valuation as of March 1, 2020	$1,383,494
Maximum Annual Debt Service Requirement (2021)	$1,598,600
$0.42 Tax Rate on 2019 Certified Taxable Assessed Valuation at 95% collections	$1,614,193
$0.37 Tax Rate on Estimated Taxable Assessed Valuation as of March 1, 2020	$1,599,665

No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of March 1, 2020, for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2020 tax year, the District has granted an exemption of $25,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than $5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2020 tax year, the District has not granted a general residential homestead exemption.

Valuation of Property for Taxation

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

District and Taxpayer Remedies

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

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

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2020 approximately 19 acres of land within the District are designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

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

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

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

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

District's Rights in the Event of Tax Delinquencies

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

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

INVESTMENT CONSIDERATIONS

General

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

Infectious Disease Outlook (COVID-19)

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.

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

Recent Tropical Weather Events; Hurricane Harvey

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

The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the Operator, to the best of their knowledge at the time, there was no interruption of water and sewer service as a result of Hurricane Harvey and District's system did not sustain any material damage from Hurricane Harvey. To the best of the knowledge of the District, approximately 130 homes within the District experienced structural flooding or other damage as a result of Hurricane Harvey. A majority of affected homes were flooded by water retained within the Addicks Reservoir because the release of water by the United States Army Corp. of Engineers was not done in a timely manner to prevent the reservoir from exceeding its western boundary.

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

Specific Flood Type Risks

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

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

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and commercial property. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for properties of this type and the construction thereon can be significantly affected by factors such as interest rates, credit availability (see "Credit Market and Liquidity in the Financial Markets" below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 24 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of the City and the nation could adversely affect development and homebuilding plans in the District and restrain or reduce the growth of the District's property tax base.

Landowner Obligation to the District

There are no commitments from or obligations of any landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds, the District will increase or maintain its taxable value.

Dependence on Principal Taxpayers

Based upon the 2019 certified tax rolls of $404,559,740, the top ten taxpayers were responsible for approximately 20.04% of the District's 2019 taxes (approximately $81,073,885). A principal taxpayers list related to the Estimated Assessed Valuation as of March 1, 2020, of $455,096,766 is not available. The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Bond Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis. See "Tax Collection Limitations" below and "TAX DATA—Principal Taxpayers."

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their ad valorem taxes. The 2019 Certified Taxable Assessed Valuation of the District is $404,559,740. See "FINANCIAL STATEMENT." After issuance of the Bonds, the maximum annual debt service requirement will be $1,598,600 (2021) and the average annual debt service requirement will be $1,379,010 (2020-2035). 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 $0.42 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $1,598,600 and a tax rate of $0.36 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of $1,379,010. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements." The Estimated Taxable Assessed Valuation as of March 1, 2020 is $455,096,766. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of March 1, 2020 and no use of other funds other than tax collections, a tax rate of $0.37 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $1,598,600 and a tax rate of $0.32 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of $1,379,010. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Outstanding Bonds based upon the 2019 Certified Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of March 1, 2020, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event major taxpayers do not pay their District taxes timely. See "TAXING PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

Future Debt

After the issuance of the Bonds, the District will have no remaining authorized but unissued waterworks and sewer system combination unlimited tax and revenue bonds for the District. See "THE BONDS—Issuance of Additional Debt", "—Financing Recreational Facilities" and "—Financing Road Facilities." The issuance of such obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities or recreational facilities must be approved by the Commission. The District can make no representation that any additional development will occur within the District. The Engineer has stated that the District's authorized but unissued bonds and other available District funds are adequate, under present land use projections, to finance the improvements necessary to serve such development. The District has no plans to call an election to authorize additional bonds at this time.

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

Environmental and Air Quality Regulations

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

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

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

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

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

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in South Coast Air Quality Management District v. EPA, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court's ruling, the TCEQ has developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB Area redesignation request under the 1997 Ozone Standards on September 5, 2018.

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

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

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

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

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

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

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

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 also 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 itself has become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE finalized a replacement definition of "waters of the United States." The definition outlines the categories of waters that would be considered "waters of the United States," including traditional navigable waters, perennial and intermittent tributaries to those waters, certain ditches, certain lakes, ponds and impoundments, and wetlands adjacent to jurisdictional waters. The rule also details what are not "waters of the United States," such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; farm and stock watering ponds; stormwater control features; and waste treatment systems. The EPA published the new rule in the Federal Register on April 21, 2020. The new rule will go into effect on June 22, 2020 and will likely become the subject of further litigation.

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

Tax Collection Limitations

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

Registered Owners Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Beneficial Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Beneficial 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 Beneficial Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Beneficial 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 Beneficial 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.

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas 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. Under Texas law, the District must also obtain the approval of the Commission prior to filing bankruptcy. Such law requires that the Commission investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect the Registered Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

A district may not be forced into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

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

Marketability

The District has no agreement with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are generally bought, sold or traded in the secondary market.

Future and Proposed Legislation

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has applied for a bond insurance policy (the "Policy") to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is issued, investors should be aware of the following investment considerations that relate to bond insurance.

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

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

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

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District and further from a pledge of and lien on the net revenues, if any, of the District's water and wastewater system. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "Tax Exemption" below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District and further from a pledge of and lien on the net revenues, if any, of the District's water and wastewater system. Bond Counsel's opinion will also address the matters described below.

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

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," "THE DISTRICT—General," "—Strategic Partnership Agreement" and "—Management of the District - Bond Counsel and General Counsel," "TAXING PROCEDURES," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Tax Exemption

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate issued in connection with the Bonds, and (b) covenants of the District contained in the Bond Order relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

Qualified Tax-Exempt Obligations

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, 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, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health-insurance premium assistance credit, and individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

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

Under Existing Law, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See "Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

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

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

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. ALL OWNERS OF ORIGINAL ISSUE DISCOUNT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION FOR FEDERAL, STATE AND LOCAL INCOME TAX PURPOSES OF INTEREST ACCRUED UPON REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS AND WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS.

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

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction.

The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated 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 provisions.

NO MATERIAL ADVERSE CHANGE

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

NO-LITIGATION CERTIFICATE

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

SALE AND DISTRIBUTION OF THE BONDS

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by____(the "Initial Purchaser") bearing the interest rates shown on the cover page of this Official Statement, at a price of____________________% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of______________% as calculated pursuant to Chapter 1204, Texas Government Code (the "IBA" method).

The delivery of the Bonds is conditional upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, or similar person acting in the capacity of Initial Purchaser or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

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

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of municipal 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, which are more generally bought, sold or traded in the secondary market.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Moody's Investors Service ("Moody's') has assigned an underlying rating of "A2" to the Bonds. An explanation of the rating may be obtained from Moody's. The rating fees of Moody's will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Initial Purchaser.

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

Application has also been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Initial Purchaser and at the Initial Purchaser's expense.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources believed to be reliable. No guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and the inclusion herein of information from sources other than the District is not to be construed as a representation on the part of the District to such effect, except as described below under "CERTIFICATION OF OFFICIAL STATEMENT." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a 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 in addition to the Financial Advisor.

Engineer: The information contained in this Official Statement relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT," and "THE SYSTEM" (as it relates to District facilities) has been provided by Atkinson Engineers and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

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

Auditor: The financial statements of the District as of and for the fiscal year ended February 28, 2019, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot, PLLC, Certified Public Accountants, as stated in their report appearing herein. See "APPENDIX A."

Bookkeeper: The information related to the unaudited summary of the District's General Operating Fund as it appears in "THE SYSTEM—Waterworks and Sewer System Operating Statement" has been provided by Municipal Accounts & Consulting L.P., and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

UPDATING OF OFFICIAL STATEMENT

For the period beginning on the date of the award of the sale of the Bonds to the Initial Purchaser and ending on the ninety-first (91st) day after the "end of the underwriting period," (as defined in Rule 15c(2)-12(f)(2) of the United States Securities and Exchange Commission (the "SEC")), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement this Official Statement in order to make the statements herein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not materially misleading, the District will promptly notify the Initial Purchaser of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, be materially misleading. The District assumes no responsibility for supplementing this Official Statement thereafter.

CERTIFICATION OF OFFICIAL STATEMENT

The District, acting through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)" (except for "Estimated Overlapping Debt" and "Estimated Overlapping Taxes"), "TAX DATA," and "THE SYSTEM," and in Appendix A (District Audited Financial Statements and Certain Supplemental Schedules). The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2020.

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

The District's current fiscal year end is February 28. Accordingly, it must provide updated information by August 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Specified Event Notices

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

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. Investors can access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12. On May 11, 2020, the CUSIPs related to the District's Waterworks and Sewer System Combination Unlimited Tax Bonds, Series 2016 were correctly linked to the District's annual disclosure filing for fiscal year ended February 28, 2019 as posted on the EMMA system website.

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 Addicks Utility District, of Harris County, Texas, as of the date shown on the cover page.

/s/____
President, Board of Directors

ATTEST:

/s/____
Secretary, Board of Directors

AERIAL PHOTO

(Approximate boundaries as of March 2020)

Clay Rd.
Addicks Municipal Utility District
Barker Cypress Rd.
Groeschke Rd.
N

PHOTOGRAPHS

The following photographs were taken in the District in March 2020 solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if additional improvements will be constructed in the future.


18755


BROADSTONE
BARKER CYPRESS
2926


Accumulators, Inc.
Will Call • Shipping • Receiving


CHILDREN'S PLANET MONTESSORI
STOP
A GALAXY OF LEARNING
Admin: 346-322-4918 Director: 713-409-9445
NO PARKING FIRE LANE TOW AWAY ZONE


McDonald's
Welcome


Food Mart

APPENDIX A

District Audited Financial Statements for the fiscal year ended February 28, 2019

ADDICKS UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FEBRUARY 28, 2019

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

ADDICKS UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FEBRUARY 28, 2019

TABLE OF CONTENTS

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Addicks Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Addicks Utility District of Harris County, Texas (the "District"), as of and for the year ended February 28, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Addicks Utility District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of February 28, 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

June 11, 2019

ADDICKS UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2019

Management's discussion and analysis of the financial performance of Addicks Utility District of Harris County, Texas (the "District") provides an overview of the District's financial activities for the year ended February 28, 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 three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

FUND FINANCIAL STATEMENTS (Continued)

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities 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"). The budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $2,654,544 as of February 28, 2019.

A portion of the District's net position reflects its net investment in capital assets (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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	$ 6,851,942	$ 6,054,976	$ 796,966
Capital Assets (Net of Accumulated Depreciation)	12,861,822	12,808,551	53,271
Total Assets	$ 19,713,764	$ 18,863,527	$ 850,237
Deferred Outflows of Resources	$ 467,433	$ 503,122	$ (35,689)
Due to Developer	$	$ 1,705,749	1,705,749
Bonds Payable	15,260,658	13,273,228	(1,987,430)
Other Liabilities	875,166	801,104	(74,062)
Total Liabilities	$ 16,135,824	$ 15,780,081	$ (355,743)
Deferred Inflows of Resources	$ 1,390,829	$ 1,359,848	$ (30,981)
Net Position:			
Net Investment in Capital Assets	$ (947,731)	$ (867,142)	$ (80,589)
Restricted	896,836	750,680	146,156
Unrestricted	2,705,439	2,343,182	362,257
Total Net Position	$ 2,654,544	$ 2,226,720	$ 427,824

The following table provides a summary of the District's operations for the years ending February 28, 2019, and February 28, 2018. The District's net position increased by $427,824, accounting for a 19.2% increase in net position.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	$ 2,142,356	$ 1,874,140	$ 268,216
Charges for Services	1,398,676	1,250,195	148,481
Other Revenues	215,401	162,146	53,255
Total Revenues	$ 3,756,433	$ 3,286,481	$ 469,952
Expenses for Services	3,328,609	2,763,718	(564,891)
Change in Net Position	$ 427,824	$ 522,763	$ (94,939)
Net Position, Beginning of Year	2,226,720	1,703,957	522,763
Net Position, End of Year	$ 2,654,544	$ 2,226,720	$ 427,824

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of February 28, 2019, were $4,997,810, an increase of $736,672 from the prior year.

The General Fund fund balance increased by $382,482, primarily due to service and tax revenues exceeding operating and capital costs.

The Debt Service Fund fund balance increased by $165,026, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by $189,164, primarily due to unspent proceeds from the Series 2018 bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors amended the budget during the current year to increase projected tap connection fees and costs. Actual revenues were $277,915 more than budgeted revenues. Actual expenditures were $305,883 more than budgeted expenditures. See the budget to actual comparison.

CAPITAL ASSETS

The District's capital assets as of February 28, 2019, amount to $12,861,822 (net of accumulated depreciation). These capital assets include land, water, wastewater and drainage systems. Capital asset activity completed during the current year included the sanitary sewer replacement for the crossing at Barker Cypress.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 460,846	$ 460,846	$
Construction in Progress	31,619	15,468	16,151
Capital Assets, Net of Accumulated Depreciation:			
Water System	2,742,942	2,811,965	(69,023)
Wastewater System	5,969,710	5,931,256	38,454
Drainage System	3,656,705	3,589,016	67,689
Total Net Capital Assets	$ 12,861,822	$ 12,808,551	$ 53,271

LONG-TERM DEBT ACTIVITY

As of February 28, 2019, the District had total bond debt payable of $14,975,000. The changes in the debt position of the District during the year ended February 28, 2019, are summarized as follows:

Bond Debt Payable, March 1, 2018	$ 12,975,000
Add: Bond Sale - Series 2018	2,700,000
Less: Bond Principal Paid	700,000
Bond Debt Payable, February 28, 2019	$ 14,975,000

The District's underlying rating is "BBB+" from Standard & Poor's ("S&P"). The Series 2005 and Series 2017 Refunding Bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2008 Bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Corp. The Series 2016 and Series 2018 Bonds carry an insured rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. The above ratings are as of February 28, 2019, and reflect all rating changes of the bond insurer through the year then ended.

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 Addicks Utility District, c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Blvd., Suite 1400, Houston, TX 77056.

ADDICKS UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
FEBRUARY 28, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 48,479	$ 1,442,025
Investments	2,633,396	826,441
Cash with Paying Agent		246,974
Receivables:		
Property Taxes	42,816	79,850
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Reserve for Uncollectible Accounts of $2,500)	43,686	
Sales Taxes	14,017	
Accrued Interest	6,340	
Due from Other Funds	257,542	
Prepaid Costs	27,845	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 3,074,121	$ 2,595,290
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	$ -0-	$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 3,074,121	$ 2,595,290

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 301,874	$ 1,792,378	$	$ 1,792,378
1,122,183	4,582,020		4,582,020
	246,974		246,974
	122,666		122,666
		16,016	16,016
	43,686		43,686
	14,017		14,017
	6,340		6,340
	257,542	(257,542)	
	27,845		27,845
		460,846	460,846
		31,619	31,619
		12,369,357	12,369,357
$ 1,424,057	$ 7,093,468	$ 12,620,296	$ 19,713,764
$ -0-	$ -0-	$ 467,433	$ 467,433
$ 1,424,057	$ 7,093,468	$ 13,087,729	$ 20,181,197

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

ADDICKS UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
FEBRUARY 28, 2019

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 157,427	$
Due to Other Funds		74,635
Due to Taxpayers		2,032
Security Deposits	211,255	
Accrued Interest at Time of Sale		3,604
Accrued Interest Payable		
Interest Payable on Compound Interest Bonds		
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	$ 368,682	$ 80,271
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 42,816	$ 1,419,752
FUND BALANCES		
Nonspendable:		
Prepaid Costs	$ 27,845	$
Restricted for Authorized Construction		
Restricted for Debt Service		1,095,267
Unassigned	2,634,778	
TOTAL FUND BALANCES	$ 2,662,623	$ 1,095,267
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,074,121	$ 2,595,290
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 1,230	$ 158,657	$	$ 158,657
182,907	257,542	(257,542)	
	2,032		2,032
	211,255		211,255
	3,604	(3,604)	
		246,974	246,974
		256,248	256,248
		910,000	910,000
		14,350,658	14,350,658
$ 184,137	$ 633,090	$ 15,502,734	$ 16,135,824
$ -0-	$ 1,462,568	$ (71,739)	$ 1,390,829
$	$ 27,845	$ (27,845)	$
1,239,920	1,239,920	(1,239,920)	
	1,095,267	(1,095,267)	
	2,634,778	(2,634,778)	
$ 1,239,920	$ 4,997,810	$ (4,997,810)	$ -0-
$ 1,424,057	$ 7,093,468		
		$ (947,731)	$ (947,731)
		896,836	896,836
		2,705,439	2,705,439
		$ 2,654,544	$ 2,654,544

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

ADDICKS UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
FEBRUARY 28, 2019

Total Fund Balances - Governmental Funds		$ 4,997,810
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		12,861,822
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 new debt or the old debt, whichever is shorter.		467,433
Deferred inflows of resources related to property tax revenues for the 2018 and prior maintenance tax levies and the 2017 and prior debt service tax levies, as well as penalty and interest receivable for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District.		87,755
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	$ (499,618)	
Bonds Payable	(15,260,658)	(15,760,276)
Total Net Position - Governmental Activities		$ 2,654,544

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

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ADDICKS UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED FEBRUARY 28, 2019

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 814,210	$ 1,344,780
Water Service	319,465	
Wastewater Service	276,170	
Regional Water Authority Fees	495,100	
Penalty and Interest	20,816	35,313
Tap Connection and Inspection Fees	262,187	
Sales Tax Revenues	82,347	
Investment Revenues	42,649	19,031
Miscellaneous Revenues	48,971	90
TOTAL REVENUES	$ 2,361,915	$ 1,399,214
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 98,180	$ 15,452
Contracted Services	177,787	47,343
Purchased Water Service	489,502	
Utilities	82,457	
Regional Water Authority Assessment	22,994	
Repairs and Maintenance	710,527	
Depreciation		
Other	374,486	8,824
Capital Outlay		
Debt Service:		
Bond Principal		700,000
Bond Interest		462,569
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	$ 1,955,933	$ 1,234,188
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 405,982	$ 165,026
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	$ (23,500)	$
Long-Term Debt Issued		
TOTAL OTHER FINANCING SOURCES (USES)	$ (23,500)	$ -0-
NET CHANGE IN FUND BALANCES	$ 382,482	$ 165,026
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - MARCH 1, 2018	2,280,141	930,241
FUND BALANCES/NET POSITION - FEBRUARY 28, 2019	$ 2,662,623	$ 1,095,267

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 2,158,990	$ (16,634)	$ 2,142,356
	319,465		319,465
	276,170		276,170
	495,100		495,100
	56,129	(10,375)	45,754
	262,187		262,187
	82,347		82,347
22,313	83,993		83,993
	49,061		49,061
$ 22,313	$ 3,783,442	$ (27,009)	$ 3,756,433
$ 8,446	$ 122,078	$	$ 122,078
	225,130		225,130
	489,502		489,502
	82,457		82,457
	22,994		22,994
	710,527		710,527
		516,556	516,556
91	383,401		383,401
2,275,575	2,275,575	(2,275,575)	
	700,000	(700,000)	
	462,569	40,858	503,427
272,537	272,537		272,537
$ 2,556,649	$ 5,746,770	$ (2,418,161)	$ 3,328,609
$ (2,534,336)	$ (1,963,328)	$ 2,391,152	$ 427,824
$ 23,500	$	$	$
2,700,000	2,700,000	(2,700,000)	
$ 2,723,500	$ 2,700,000	$ (2,700,000)	$ -0-
$ 189,164	$ 736,672	$ (736,672)	$
		427,824	427,824
1,050,756	4,261,138	(2,034,418)	2,226,720
$ 1,239,920	$ 4,997,810	$ (2,343,266)	$ 2,654,544

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

ADDICKS UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2019

Net Change in Fund Balances - Governmental Funds	$	736,672
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.		(16,634)
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.		(10,375)
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.		(516,556)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		2,275,575
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.		700,000
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.		(40,858)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		(2,700,000)
Change in Net Position - Governmental Activities	$	427,824

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

NOTE 1. CREATION OF DISTRICT

Addicks Utility District of Harris County, Texas (the "District"), was created by House Bill 1962, enacted by special act of the 62nd Texas Legislature, Regular Session, effective June 4, 1971. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code and restated rules of the Texas Commission on Environmental Quality (the "Commission"), 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 subject to Commission, City of Houston, and voter approval as required by the Texas Water Code, establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on June 7, 1973, and the first bonds were issued on May 18, 1978.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Governmental Funds

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

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

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

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

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures. Recognition of tax revenues for the 2018 debt service tax levy has been deferred until the 2020 fiscal year.

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. 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 $5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

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

Budgeting

In compliance with governmental accounting principles, the Board of Directors of the District annually adopts an unappropriated budget for the General Fund. The budget was amended during the current fiscal year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

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

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

ADDICKS UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2019

NOTE 3. LONG-TERM DEBT

	Series 2005	Series 2008
Amount Outstanding - February 28, 2019	$290,000	$450,000
Interest Rates	4.25%	4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2022	September 1, 2019
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2013*	September 1, 2017*

	Series 2010	Series 2016
Amount Outstanding - February 28, 2019	$125,000	$3,405,000
Interest Rates	4.625%	2.00% - 3.25%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2023	September 1, 2019/2033
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2018*	September 1, 2023*

* On any date thereafter, at a price equal to the par value plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Series 2005 term bonds maturing on September 1, 2019, and September 1, 2022, are subject to mandatory redemption beginning, September 1, 2018, and September 1, 2020, respectively. The Series 2010 term bonds maturing on September 1, 2023, are subject to mandatory redemption beginning September 1, 2018. The Series 2016 term bonds maturing on September 1, 2032 are subject to mandatory redemption beginning September 1, 2030.

NOTE 3. LONG-TERM DEBT (Continued)

	Refunding Series 2017		
	Current Interest Bonds	Compound Interest Bonds	Series 2018
Amount Outstanding - February 28, 2019	$8,000,000	$5,000	$2,700,000
Interest Rates	2.00% - 4.00%	2.20%	3.00% - 3.75%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2033	September 1, 2020	September 1, 2019/2033
Interest Payment Dates	March 1/ September 1	At Maturity	March 1/ September 1
Callable Dates	September 1, 2023*	Non-Callable**	September 1, 2024*

* On any date thereafter, at a price equal to the par value plus accrued interest from the most recent date fixed for redemption. The Series 2018 term bonds maturing on September 1, 2033 are subject to mandatory redemption beginning September 1, 2031.

** The Series 2017 Compound Interest Bonds are non-callable. The par value of these bonds is $5,000 and the maturity value is $270,000. Interest on these bonds will be paid at maturity. As of February 28, 2019, the accreted value of these bonds is approximately $261,248. Accrued interest of $256,248 has been recorded as liability in the Statement of Net Position.

The following is a summary of transactions regarding long-term liabilities for the year ended February 28, 2019:

	March 1, 2018	Additions	Retirements	February 28, 2019
Bonds Payable	$ 12,975,000	$ 2,700,000	$ 700,000	$ 14,975,000
Unamortized Discounts	(120,137)		(15,418)	(104,719)
Unamortized Premiums	418,365		27,988	390,377
Total Long-Term Liabilities	$ 13,273,228	$ 2,700,000	$ 712,570	$ 15,260,658

Amount Due Within One Year	$ 910,000
Amount Due After One Year	14,350,658
Total Long-Term Liabilities	$ 15,260,658

NOTE 3. LONG-TERM DEBT (Continued)

As of February 28, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	$ 910,000	$ 504,761	$ 1,414,761
2021	665,000	755,093	1,420,093
2022	950,000	472,663	1,422,663
2023	960,000	444,469	1,404,469
2024	975,000	415,913	1,390,913
2025-2029	5,110,000	1,570,150	6,680,150
2030-2034	5,405,000	602,375	6,007,375
	$ 14,975,000	$ 4,765,424	$ 19,740,424

As of February 28, 2019, the District had authorized but unissued bonds in the amount of $2,650,000. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and wastewater system.

During the year ended February 28, 2019, the District levied an ad valorem debt service tax rate of $0.40 per $100 of assessed valuation, which resulted in a tax levy of $1,390,829 on the adjusted taxable valuation of $347,707,330 for the 2018 tax year. The bond orders 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 ORDER AND LEGAL REQUIREMENTS

The bond orders state that any profits realized from or interest accruing on investments shall belong to the fund from which the moneys for such investments were taken; provided, however, that at 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. During the current fiscal year, all profits and interest earned on investments remained with the fund from which the monies for such investment were taken.

The bond orders 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 repository and the state information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year shall continue to be provided through the life of the bonds.

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

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was $2,428,734 and the bank balance was $2,516,654. The District was not exposed to custodial credit risk at year-end.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at February 28, 2019, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	$ 48,479	$ 636,356	$ 684,835
DEBT SERVICE FUND	1,442,025		1,442,025
CAPITAL PROJECTS FUND	301,874		301,874
TOTAL DEPOSITS	$ 1,792,378	$ 636,356	$ 2,428,734

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 District's 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 meets the criteria established in GASB Statement No. 79 and 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.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of February 28, 2019, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
TexPool	$ 1,997,040	$ 1,997,040
Certificates of Deposit	636,356	636,356
DEBT SERVICE FUND		
TexPool	826,441	826,441
CAPITAL PROJECTS FUND		
TexPool	1,122,183	1,122,183
TOTAL INVESTMENTS	$ 4,582,020	$ 4,582,020

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At February 28, 2019, the District's investment in TexPool was rated AAAm by Standard and Poor's. The District also manages risk by investing in certificates of deposit covered by FDIC insurance.

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

Restrictions

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2019:

	March 1, 2018	Increases	Decreases	February 28, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 460,846	$	$	$ 460,846
Construction in Progress	15,468	569,827	553,676	31,619
Total Capital Assets Not Being Depreciated	$ 476,314	$ 569,827	$ 553,676	$ 492,465
Capital Assets Subject to Depreciation				
Water System	$ 4,608,796	$ 87,535	$	$ 4,696,331
Wastewater System	9,450,599	280,776		9,731,375
Drainage System	5,001,387	185,365		5,186,752
Total Capital Assets Subject to Depreciation	$ 19,060,782	$ 553,676	$ -0-	$ 19,614,458
Less Accumulated Depreciation				
Water System	$ 1,796,831	$ 156,558	$	$ 1,953,389
Wastewater System	3,519,343	242,322		3,761,665
Drainage System	1,412,371	117,676		1,530,047
Total Accumulated Depreciation	$ 6,728,545	$ 516,556	$ -0-	$ 7,245,101
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 12,332,237	$ 37,120	$ -0-	$ 12,369,357
Total Capital Assets, Net of Accumulated Depreciation	$ 12,808,551	$ 606,947	$ 553,676	$ 12,861,822

NOTE 7. MAINTENANCE TAX

On August 13, 1977, the voters of the District approved the levy and collection of a maintenance tax not to exceed $0.25 per $100 of assessed valuation of taxable property within the District. During the year ended February 28, 2019, the District levied an ad valorem maintenance tax rate of $0.23 per $100 of assessed valuation, which resulted in a tax levy of $799,727 on the adjusted taxable valuation of $347,707,330 for the 2018 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

NOTE 8. EMERGENCY WATER SUPPLY CONTRACTS

On May 16, 1984, the District executed an Emergency Water Supply Contract with Harris County Municipal Utility District No. 238 ("No. 238"). The contract provides that each district will be responsible for constructing the water lines necessary to reach the property lines separating the respective districts. Each district agreed to participate on a 50/50 basis for the acquisition and construction of the facilities and agreed to pay $0.50 per 1,000 gallons of "average daily flow" calculated upon the immediately preceding 30 days. The term of the contract is for a period of 35 years.

NOTE 9. RISK MANAGEMENT

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

NOTE 10. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the West Harris County Regional Water Authority (the "Authority"). 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 required to convert its water supply to surface water over a period of time. A nine-member board of directors governs the Authority. The directors serve staggered four-year terms. Each director must qualify to serve as director in the manner provided by Section 49.055 of the Water Code.

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. Effective January 1, 2018, the fee being charged was $2.70 per 1,000 gallons of water pumped from each well. Effective January 1, 2019, the fee being charged was $2.95 per 1,000 gallons of water pumped from each well. The District recorded expenditures of $22,994 for fees assessed during the current year.

NOTE 10. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY (Continued)

On September 9, 2008, the District executed a water supply commitment agreement with the Authority. Subject to this agreement, the Authority will deliver and make available to the District, up to 900,000 gallons per day of water. The Authority will not be required to supply water to the District nor have any other obligations under this agreement unless and until: (1) certain Authority waterlines are complete and operational; (2) the waterline segments and the chloramine systems, constructed by the District at its two water plants are completed and operational; (3) the District has complied with all Commission regulations and provisions of the Authority's Rate Order and (4) the Commission has approved the Authority's delivery of water to the District. Effective January 1, 2018, the water supply fee was $3.10 per 1,000 gallons of water purchased. Effective January 1, 2019, the water supply fee was $3.35 per 1,000 gallons of water purchased. The District recorded expenditures of $489,502 for water purchased during the current year.

NOTE 11. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

As of February 28, 2019, the District had the following interfund liabilities: the Debt Service Fund owed the General Fund $74,635 for maintenance tax collections and the Capital Projects Fund owed the General Fund $182,907 for construction projects. During the current fiscal year, the General Fund transferred $23,500 to the Capital Projects Fund for an excess reimbursement for construction costs in a previous fiscal year.

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT

Effective December 12, 2008, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the "Subject Tract" for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances and Fire Code within the Subject Tract within the boundaries of the District. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District.

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. Upon the limited-purpose annexation of the Subject Tract and City's municipal courts shall have jurisdiction to adjudicate criminal cases filed under the Planning, Zoning, Health and Safety Ordinances and State laws. Provisions of the Regulatory Plan adopted by the City will be applicable to the Subject Tract of land within the District. The District's assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period preceding full-purpose annexation.

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT (Continued)

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.

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. During the current fiscal year, the District recorded $82,347 in sales taxes revenues, with $14,017 receivable at year end.

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.

NOTE 13. BOND SALE

On November 16, 2018, the District issued $2,700,000 of Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2018. Proceeds from the bonds were used to reimburse Developers for construction and engineering costs for water, wastewater and drainage facilities to serve Barkers Trail Sections 3 and 4 and Inter Nos One, Section 1; water main extension along Clay Road, Phase 2; and storm water pollution prevention. Proceeds of the bonds have or will be used for the District's Barker-Cypress wastewater line replacement and the water main extension along Clay Road, Phase 3 projects. Additional proceeds were used to pay issuance costs of the bonds.

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ADDICKS UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

FEBRUARY 28, 2019

ADDICKS UTILITY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED FEBRUARY 28, 2019

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	$ 685,000	$ 685,000	$ 814,210	$ 129,210
Water Service	440,000	440,000	319,465	(120,535)
Wastwater Service	255,000	255,000	276,170	21,170
Regional Water Authority Fees	450,000	450,000	495,100	45,100
Penalty and Interest	16,000	16,000	20,816	4,816
Tap Connection and Inspection Fees	80,000	130,000	262,187	132,187
Sales Tax Revenues	75,000	75,000	82,347	7,347
Investment Revenues	14,000	14,000	42,649	28,649
Miscellaneous Revenues	19,000	19,000	48,971	29,971
TOTAL REVENUES	$ 2,034,000	$ 2,084,000	$ 2,361,915	$ 277,915
EXPENDITURES				
Professional Fees	$ 110,250	$ 110,250	$ 98,180	$ 12,070
Contracted Services	154,000	154,000	177,787	(23,787)
Purchased Water Service	470,000	470,000	512,496	(42,496)
Utilities	80,000	80,000	82,457	(2,457)
Repairs and Maintenance	507,500	507,500	710,527	(203,027)
Other	318,300	328,300	374,486	(46,186)
TOTAL EXPENDITURES	$ 1,640,050	$ 1,650,050	$ 1,955,933	$ (305,883)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 393,950	$ 433,950	$ 405,982	$ (27,968)
OTHER FINANCING SOURCES(USES)				
Transfers Out	$ -0-	$ -0-	$ (23,500)	$ (23,500)
NET CHANGE IN FUND BALANCE	$ 393,950	$ 433,950	$ 382,482	$ (51,468)
FUND BALANCE - MARCH 1, 2018	2,280,141	2,280,141	2,280,141	
FUND BALANCE - FEBRUARY 28, 2019	$ 2,674,091	$ 2,714,091	$ 2,662,623	$ (51,468)

See accompanying independent auditor's report.

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ADDICKS UTILITY DISTRICT

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

FEBRUARY 28, 2019

ADDICKS UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED FEBRUARY 28, 2019

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

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

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

______ Other (specify): ____________________________________

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective January 1, 2019

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 11.00	5,000	N	$ 1.00	5,001 to 10,000
				$ 1.25	10,001 to 15,000
				$ 1.50	15,001 and up
WASTEWATER:	$ 12.00		Y		
SURCHARGE: Regional Water Authority Fees			N	$ 3.70	0,001 and up

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

Total charges per 10,000 gallons usage: Water: $16.00 Wastewater: $12.00 Surcharge: $37.00

See accompanying independent auditor's report.

ADDICKS UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED FEBRUARY 28, 2019

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
<u><</u>¾"	1,598	1,580	x 1.0	1,580
1"	9	9	x 2.5	23
1½"	1	1	x 5.0	5
2"	32	32	x 8.0	256
3"			x 15.0	
4"	2	2	x 25.0	50
6"			x 50.0	
8"	1	1	x 80.0	80
10"			x 115.0	
Total Water Connections	1,643	1,625		1,994
Total Wastewater Connections	1,619	1,601	x 1.0	1,601

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

Gallons pumped into system:	8,496,000	Water Accountability Ratio: 91.2% (Gallons billed and used for maintenance/Gallons pumped)
Gallons billed to customers:	149,447,000	
Gallons purchased:	155,346,000	From: West Harris County Regional Water Authority

See accompanying independent auditor's report.

ADDICKS UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED FEBRUARY 28, 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 extraterritorial 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.

ADDICKS UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED FEBRUARY 28, 2019

PROFESSIONAL FEES:		
Legal	$	58,167
Auditing		16,000
Engineering		24,013
TOTAL PROFESSIONAL FEES	$	98,180
PURCHASED SERVICES FOR RESALE:		
Purchased Water Service	$	489,502
CONTRACTED SERVICES:		
Bookkeeping	$	22,831
Operations and Billing		154,956
TOTAL CONTRACTED SERVICES	$	177,787
UTILITIES	$	82,457
REPAIRS AND MAINTENANCE	$	710,527
ADMINISTRATIVE EXPENDITURES:		
Director Fees	$	11,400
Dues		650
Insurance		29,206
Office Supplies and Postage		9,170
Payroll Taxes		1,124
Travel and Meetings		13,262
Other		2,413
TOTAL ADMINISTRATIVE EXPENDITURES	$	67,225
TAP CONNECTIONS	$	118,290
OTHER EXPENDITURES:		
Chemicals	$	72,500
Laboratory Fees		39,928
Permit Fees		8,187
Regional Water Authority Assessment		22,994
Regulatory Assessment		2,748
Inspection Fees		28,253
Sludge Hauling		37,355
TOTAL OTHER EXPENDITURES	$	211,965
TOTAL EXPENDITURES	$	1,955,933

See accompanying independent auditor's report.

ADDICKS UTILITY DISTRICT
INVESTMENTS
FEBRUARY 28, 2019

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
TexPool	XXXXXX0003	Varies	Daily	$ 1,997,040	$
Certificate of Deposit	XXXXXX1728	2.40%	09/12/19	156,356	1,738
Certificate of Deposit	XXXXXX4369	2.45%	09/13/19	240,000	2,706
Certificate of Deposit	XXXXXX0660	2.72%	11/14/19	240,000	1,896
TOTAL GENERAL FUND				$ 2,633,396	$ 6,340
DEBT SERVICE FUND					
TexPool	XXXXXX0001	Varies	Daily	$ 826,441	$ - 0 -
CAPITAL PROJECTS FUND					
TexPool	XXXXXX0004	Varies	Daily	$ 1,122,183	$ - 0 -
TOTAL - ALL FUNDS				$ 4,582,020	$ 6,340

See accompanying independent auditor's report.

ADDICKS UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED FEBRUARY 28, 2019

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - MARCH 1, 2018	$ 63,041		$ 128,458	
Adjustments to Beginning Balance	(5,742)	$ 57,299	(11,477)	$ 116,981
Original 2018 Tax Roll	$ 779,660		$ 1,355,929	
Adjustment to 2018 Tax Roll	20,067	$ 799,727	34,900	$ 1,390,829
TOTAL TO BE ACCOUNTED FOR		$ 857,026		$ 1,507,810
TAX COLLECTIONS:				
Prior Years	$ 43,767		$ 88,058	
Current Year	770,443	$ 814,210	1,339,902	$ 1,427,960
TAXES RECEIVABLE - FEBRUARY 28, 2019		$ 42,816		$ 79,850
TAXES RECEIVABLE BY YEAR:				
2018		$ 29,284		$ 50,927
2017		4,644		9,289
2016		3,033		5,796
2015		2,011		4,414
2014		1,610		3,534
2013		1,136		2,887
2012		365		1,003
2011		346		759
2010		126		297
2009		110		297
2008		90		297
2007		61		350
		$ 42,816		$ 79,850

See accompanying independent auditor's report.

ADDICKS UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED FEBRUARY 28, 2019

	2018	2017	2016	2015
PROPERTY VALUATIONS:				
Land	$ 85,530,112	$ 80,317,424	$ 71,697,116	$ 60,337,399
Improvements	274,230,719	255,987,053	235,463,388	199,294,760
Personal Property	14,042,875	10,706,235	5,823,614	26,800,260
Exemptions	(26,096,376)	(30,766,893)	(32,931,134)	(21,248,331)
TOTAL PROPERTY VALUATIONS	$ 347,707,330	$ 316,243,819	$ 280,052,984	$ 265,184,088
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.40	$ 0.430	$ 0.430	$ 0.450
Maintenance	0.23	0.215	0.225	0.205
TOTAL TAX RATES PER $100 VALUATION	$ 0.63	$ 0.645	$ 0.655	$ 0.655
ADJUSTED TAX LEVY*	$ 2,190,556	$ 2,039,772	$ 1,834,347	$ 1,737,300
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	96.34%	99.32%	99.52%	99.63%

* 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 $0.25 per $100 of assessed valuation approved by voters on August 13, 1977.

See accompanying independent auditor's report.

ADDICKS UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2019

	SERIES - 2005		
Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due March 1/ September 1	Total
2020	$ 65,000	$ 12,326	$ 77,326
2021	70,000	9,562	79,562
2022	75,000	6,588	81,588
2023	80,000	3,400	83,400
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	$ 290,000	$ 31,876	$ 321,876

See accompanying independent auditor's report.

ADDICKS UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2019

	SERIES-2008		
Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due March 1/ September 1	Total
2020	$ 450,000	$ 18,000	$ 468,000
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	$ 450,000	$ 18,000	$ 468,000

See accompanying independent auditor's report.

ADDICKS UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2019

	S E R I E S - 2 0 1 0		
Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due March 1/ September 1	Total
2020	$ 20,000	$ 5,781	$ 25,781
2021	25,000	4,856	29,856
2022	25,000	3,700	28,700
2023	25,000	2,544	27,544
2024	30,000	1,388	31,388
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	$ 125,000	$ 18,269	$ 143,269

See accompanying independent auditor's report.

ADDICKS UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2019

	S E R I E S - 2 0 1 6		
Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due March 1/ September 1	Total
2020	$ 150,000	$ 94,725	$ 244,725
2021	150,000	90,225	240,225
2022	165,000	87,225	252,225
2023	165,000	83,925	248,925
2024	250,000	80,625	330,625
2025	250,000	75,000	325,000
2026	250,000	68,750	318,750
2027	250,000	62,500	312,500
2028	275,000	55,625	330,625
2029	275,000	47,375	322,375
2030	275,000	39,125	314,125
2031	150,000	30,875	180,875
2032	150,000	26,000	176,000
2033	150,000	21,125	171,125
2034	500,000	16,250	516,250
	$ 3,405,000	$ 879,350	$ 4,284,350

See accompanying independent auditor's report.

ADDICKS UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2019

	REFUNDING SERIES-2017		
Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due March 1/ September 1	Total
2020	$ 25,000	$ 305,450	$ 330,450
2021	220,000	569,950	789,950
2022	485,000	300,650	785,650
2023	490,000	286,100	776,100
2024	495,000	271,400	766,400
2025	535,000	251,600	786,600
2026	545,000	230,200	775,200
2027	560,000	208,400	768,400
2028	570,000	186,000	756,000
2029	600,000	163,200	763,200
2030	630,000	139,200	769,200
2031	775,000	114,000	889,000
2032	815,000	83,000	898,000
2033	850,000	50,400	900,400
2034	410,000	16,400	426,400
	$ 8,005,000	$ 3,175,950	$ 11,180,950

See accompanying independent auditor's report.

ADDICKS UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2019

	S E R I E S - 2 0 1 8		
Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due March 1/ September 1	Total
2020	$ 200,000	$ 68,479	$ 268,479
2021	200,000	80,500	280,500
2022	200,000	74,500	274,500
2023	200,000	68,500	268,500
2024	200,000	62,500	262,500
2025	200,000	56,500	256,500
2026	200,000	50,500	250,500
2027	200,000	44,500	244,500
2028	200,000	38,250	238,250
2029	200,000	31,750	231,750
2030	200,000	25,250	225,250
2031	200,000	18,250	218,250
2032	100,000	11,250	111,250
2033	100,000	7,500	107,500
2034	100,000	3,750	103,750
	$ 2,700,000	$ 641,979	$ 3,341,979

See accompanying independent auditor's report.

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ADDICKS UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2019

	ANNUAL REQUIREMENTS FOR ALL SERIES		
Due During Fiscal Years Ending February 28	Principal Due During Year	Interest Due During Year	Total
2020	$ 910,000	$ 504,761	$ 1,414,761
2021	665,000	755,093	1,420,093
2022	950,000	472,663	1,422,663
2023	960,000	444,469	1,404,469
2024	975,000	415,913	1,390,913
2025	985,000	383,100	1,368,100
2026	995,000	349,450	1,344,450
2027	1,010,000	315,400	1,325,400
2028	1,045,000	279,875	1,324,875
2029	1,075,000	242,325	1,317,325
2030	1,105,000	203,575	1,308,575
2031	1,125,000	163,125	1,288,125
2032	1,065,000	120,250	1,185,250
2033	1,100,000	79,025	1,179,025
2034	1,010,000	36,400	1,046,400
	$ 14,975,000	$ 4,765,424	$ 19,740,424

See accompanying independent auditor's report.

ADDICKS UTILITY DISTRICT
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED FEBRUARY 28, 2019

Description	Original Bonds Issued	Bonds Outstanding March 1, 2018
Addicks Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2005	$ 1,530,000	$ 355,000
Addicks Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2008	7,940,000	890,000
Addicks Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2010	1,520,000	145,000
Addicks Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2016	3,555,000	3,555,000
Addicks Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2017	8,190,000	8,030,000
Addicks Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2018	2,700,000	
TOTAL	$ 25,435,000	$ 12,975,000

Bond Authority:	Tax Bonds*	Refunding Bonds
Amount Authorized by Voters	$ 26,750,000	
Amount Issued	24,100,000	
Remaining to be Issued	$ 2,650,000	$ - 0 -

* 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.

Current Year Transactions				
	Retirements		Bonds Outstanding	
Bonds Sold	Principal	Interest	February 28, 2019	Paying Agent
$	$ 65,000	$ 15,088	$ 290,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	440,000	35,600	450,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	20,000	6,706	125,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	150,000	99,225	3,405,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	25,000	305,950	8,005,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
2,700,000			2,700,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
$ 2,700,000	$ 700,000	$ 462,569	$ 14,975,000	

Debt Service Fund cash, investments and cash with paying agent balances as of February 28, 2019:	$ 2,515,440
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,316,028

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

ADDICKS UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	$ 814,210	$ 661,657	$ 567,266
Water Service	319,465	304,867	292,440
Wastewater Service	276,170	263,005	247,148
Regional Water Authority Fee	495,100	456,336	402,335
Penalty and Interest	20,816	16,875	21,042
Tap Connection and Inspection Fees	262,187	165,988	75,100
Sales Tax Revenues	82,347	79,141	56,687
Investment Revenues	42,649	18,524	4,998
Miscellaneous Revenues	48,971	40,508	43,318
TOTAL REVENUES	$ 2,361,915	$ 2,006,901	$ 1,710,334
EXPENDITURES			
Professional Fees	$ 98,180	$ 114,191	$ 109,982
Contracted Services	177,787	158,257	151,507
Purchased Water Service	489,502	463,679	423,983
Utilities	82,457	90,692	89,476
Repairs and Maintenance	710,527	461,247	427,653
Regional Water Authority Assessment	22,994	2,464	749
Other	374,486	318,191	279,026
Capital Outlay		42,467	
TOTAL EXPENDITURES	$ 1,955,933	$ 1,651,188	$ 1,482,376
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 405,982	$ 355,713	$ 227,958
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	$ (23,500)	$ -0-	$ 440,815
NET CHANGE IN FUND BALANCE	$ 382,482	$ 355,713	$ 668,773
BEGINNING FUND BALANCE	2,280,141	1,924,428	1,255,655
ENDING FUND BALANCE	$ 2,662,623	$ 2,280,141	$ 1,924,428

See accompanying independent auditor’s report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
$ 540,111	$ 426,182	34.4 %	33.0 %	33.1 %	32.6 %	28.7 %
303,785	273,186	13.5	15.2	17.1	18.3	18.5
239,411	234,009	11.7	13.1	14.5	14.4	15.8
367,008	336,236	21.0	22.7	23.5	22.1	22.7
24,283	20,260	0.9	0.8	1.2	1.5	1.4
73,290	57,970	11.1	8.4	4.5	4.5	4.0
61,459	81,296	3.5	3.9	3.3	3.7	5.5
1,638	876	1.8	0.9	0.3	0.1	0.1
46,300	48,157	2.1	2.0	2.5	2.8	3.3
$ 1,657,285	$ 1,478,172	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 98,437	$ 134,128	4.2 %	5.7 %	6.4 %	5.9 %	9.1 %
151,820	146,985	7.5	7.9	8.9	9.2	9.9
437,949	377,417	20.7	23.1	24.8	26.4	25.5
100,062	95,744	3.5	4.5	5.2	6.0	6.5
288,966	323,663	30.1	23.0	25.0	17.4	21.9
2,933	1,022	1.0	0.1		0.2	0.1
229,901	209,904	15.9	15.9	16.3	13.9	14.2
405,314	77,396		2.1		24.5	5.2
$ 1,715,382	$ 1,366,259	82.9 %	82.3 %	86.6 %	103.5 %	92.4 %
$ (58,097)	$ 111,913	17.1 %	17.7 %	13.4 %	(3.5) %	7.6 %
$ -0-	$ 38,347					
$ (58,097)	$ 150,260					
1,313,752	1,163,492					
$ 1,255,655	$ 1,313,752					

See accompanying independent auditor's report.

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

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	$ 1,344,780	$ 1,189,892	$ 1,094,709
Penalty and Interest	35,313	20,817	16,003
Interest on Investments	19,031	11,285	2,205
Miscellaneous Revenues	90	1,619	
TOTAL REVENUES	$ 1,399,214	$ 1,223,613	$ 1,112,917
EXPENDITURES			
Tax Collection Expenditures	$ 67,119	$ 51,287	$ 343,637
Debt Service Principal	700,000	705,000	520,000
Debt Service Interest and Fees	467,069	325,443	456,864
TOTAL EXPENDITURES	$ 1,234,188	$ 1,081,730	$ 1,320,501
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 165,026	$ 141,883	$ (207,584)
OTHER FINANCING SOURCES (USES)			
Refunding Bonds	$	$	$ 8,190,000
Payment to Refunding Bond Escrow Agent			(8,578,671)
Bond Premium			692,570
TOTAL OTHER FINANCING SOURCES (USES)	$ - 0 -	$ - 0 -	$ 303,899
NET CHANGE IN FUND BALANCE	$ 165,026	$ 141,883	$ 96,315
BEGINNING FUND BALANCE	930,241	788,358	692,043
ENDING FUND BALANCE	$ 1,095,267	$ 930,241	$ 788,358
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,625	1,569	1,435
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,601	1,551	1,419

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
$ 964,177	$ 903,548	96.1 %	97.3 %	98.3 %	98.2 %	98.6 %
12,350	6,244	2.5	1.7	1.4	1.3	0.7
4,274	5,712	1.4	0.9	0.2	0.4	0.6
	12		0.1	0.1	0.1	0.1
$ 980,801	$ 915,516	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 39,294	$ 37,861	4.8 %	4.2 %	30.9 %	4.0 %	4.1 %
1,165,000	470,000	50.0	57.6	46.7	118.8	51.3
514,894	523,264	33.4	26.6	41.1	52.5	57.2
$ 1,719,188	$ 1,031,125	88.2 %	88.4 %	118.7 %	175.3 %	112.6 %
$ (738,387)	$ (115,609)	11.8 %	11.6 %	(18.7) %	(75.3) %	(12.6) %
$	$					
$ - 0 -	$ - 0 -					
$ (738,387)	$ (115,609)					
1,430,430	1,546,039					
$ 692,043	$ 1,430,430					
1,369	1,332					
1,354	1,320					

See accompanying independent auditor's report.

ADDICKS UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FEBRUARY 28, 2019

District Mailing Address	-	Addicks Utility District c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056
District Telephone Number	-	(713) 623-4531

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended February 28, 2019	Expense Reimbursements for the year ended February 28, 2019	Title
Michael Ligon	05/18 05/22 (Elected)	$ 2,700	$ 2,332	President
Pam Beaver	05/18 05/22 (Elected)	$ 2,850	$ 1,653	Vice President
Rick Krustchinsky	05/18 05/22 (Elected)	$ 1,800	$ 2,199	Secretary
Phillip Wales	05/16 05/20 (Elected)	$ 1,800	$ 1,933	Assistant Secretary
Lois Pierce	07/16 05/20 (Appointed)	$ 2,250	$ 1,814	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 (TWC Sections 36.054 and 49.054): June 6, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution (TWC Section 49.060) on August 12, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

ADDICKS UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FEBRUARY 28, 2019

Consultants:	Date Hired	Fees for the year ended February 28, 2019	Title
Schwartz, Page & Harding, L.L.P.	02/16/95	$ 64,413	General Counsel
		$ 77,843	Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	09/17/87	$ 16,500	Auditor
		$ 7,750	Bond Related
Myrtle Cruz, Inc.	05/20/99	$ 28,716	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/18/96	$ 15,452	Delinquent Tax Attorney
Atkinson Engineers	06/07/73	$ 51,019	Engineer
Masterson Advisors LLC	05/08/18	$ 60,247	Financial Advisor
Mary Jarmon	05/20/99	$ -0-	Investment Officer
Inframark, LLC	11/13/07	$ 1,118,394	Operator
Assessments of the Southwest, Inc.	11/10/77	$ 30,196	Tax Assessor/ Collector

See accompanying independent auditor’s report.